

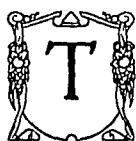
# **The Farmers' Platform**

*Drafted by The Canadian Council  
of Agriculture and adopted by the  
United Farmers of Alberta, the  
Saskatchewan Grain Growers'  
Association, the Manitoba Grain  
Growers' Association and the  
United Farmers of Ontario*

**Price 20 Cents**

**Issued by The Canadian Council of Agriculture  
Winnipeg, Manitoba, Canada**

# INTRODUCTION



THE organized farmers have for years, in their annual conventions and local meetings, been passing resolutions demanding relief from the oppressive burdens imposed on the agricultural industry, by legislation enacted in the interest of privileged classes. Representation has been regularly made to the government at Ottawa demanding redress, but up to the present time a comparatively small measure of relief has been secured. On the contrary, the burdensome legislation farmers have complained of has not only been maintained, but of recent years made more oppressive.

Since the inception of the Grain Growers' movement, the organization has devoted a large amount of energy to training men and women in the duties of citizenship, including those of different languages and nationalities, to assume the responsibility of true Canadian citizenship and to fit themselves when occasion should arise, to become the mouth-piece of their fellows in the making and administering of laws. As a matter of fact, the Grain Growers' movement has developed into a school of thought, aiming at training farmers to do clear thinking on financial, social and economic questions.

It is becoming more apparent each year that our parliament is becoming more and more under the direct influence of industrial, financial and transportation interests, represented by men of wealth in financial and industrial centres, and if the rural population and the common people, including industrial wage earners, are to have their view point represented in parliament, a democratic system of nominating and electing representatives must be adopted.

The history dealing with economics in Canada for the last quarter of a century is an outstanding illustration of how far those responsible for the commercial legislation of the nation may wander away from that which is in the best interest of the country. However fertile the soil of the country may be and however frugal and industrial its people, it will remain poor and backward and the people will be lacking in the highest comforts of life, if its trade laws and its fiscal policy are unsound. The abandoned and unused fertile fields of the western prairies and the degeneracy of agriculture of the rich province of Ontario abundantly testify to the truth of this natural law.

The Canadian Council of Agriculture at its session in December, 1916, deliberated upon these matters very carefully. The council is composed of the executive officers of The United Farmers of Alberta, The Alberta Co-operative Elevator Company, The Saskatchewan Grain Growers' Association and The Saskatchewan Co-operative Elevator Company, The Manitoba Grain Growers' Association, The Grain Growers' Grain Company, The Grain Growers' Guide, The United Farmers of Ontario and The United Farmers' Co-operative Company of Ontario, representing 65,000 farmers thus

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affiliated with this organization. The president and executive officers of each of the above organizations were present at this meeting and took part in the deliberations. One outstanding fact that impressed itself on the minds of the delegates present was the anomaly that while agriculture is the basic industry of Canada, and the rural population represents one half the population of Canada, members of parliament are almost exclusively from the urban population. Men whose environment and training is urban, causes them to view all questions affecting production, trade and economics from the view point of the city and notwithstanding however well disposed they may be towards the needs of agriculture, and how unselfish they approach legislation, their conclusions must necessarily be one-sided. The council regards this situation as being very undesirable.

In order to have legislation equitable to all the different interests concerned, all those interests must be represented in the making of such legislation and that until such time as the rural population is adequately represented in parliament, by men having the practical training, view point and knowledge of agriculture, we need not expect to get legislation that will be just to our industry.

The delegates at the council meeting having regard to this situation as they see it, decided that the time has arrived for them to direct the people in the course of political action that would tend to bring the electors to a clear sense of their responsibility as citizens and give them a lead as how to act unitedly as never before. To this end the council adopted a platform designed, when given effect to by legislation, to place the country on an economic, political and social basis that would be in the interest not only of farmers, but of the citizens of Canada generally.

Members of the Canadian Council of Agriculture realize that the wage earners, artisans, professional men and trades people suffer equally with the agricultural classes from the fiscal and economic system that prevails in Canada and are just as much interested in economic and social reforms as are the farmers.

The platform drafted by the council was submitted to the annual conventions of The United Farmers of Alberta, The Saskatchewan Grain Growers' Association, The Manitoba Grain Growers' Association and The United Farmers of Ontario in January and February, 1917. At these great conventions, attended by a total of 3,000 delegates, this platform was adopted unanimously. It was then referred to the 2,000 local unions or associations which constitute these organizations and was by them received with equal unanimity.

This pamphlet has been prepared and distributed to afford our people a further opportunity to study and inform themselves upon the principles enunciated in what has been termed "The Farmers' Platform."

R. McKENZIE,

Secretary, Canadian Council of Agriculture.

Winnipeg, July, 1917.

## **The Farmers' Platform**

Drafted by the Canadian Council of Agriculture and endorsed by the Manitoba Grain Growers' Association, Saskatchewan Grain Growers' Association, United Farmers of Alberta and United Farmers of Ontario.

### **The Customs Tariff**

WHEREAS the war has revealed the amazing financial strength of Great Britain, which has enabled her to finance not only her own part in the struggle, but also to assist in financing her Allies to the extent of hundreds of millions of pounds, this enviable position being due to the free trade policy which has enabled her to draw her supplies freely from every quarter of the globe and consequently to undersell her competitors on the world's markets, and because this policy has not only been profitable to Great Britain but has greatly strengthened the bonds of Empire by facilitating trade between the Motherland and her overseas dominions—we believe that the best interests of the Empire and of Canada would be served by reciprocal action on the part of Canada through gradual reductions of the tariff on British imports, having for its object a closer union and a better understanding between Canada and the motherland and by so doing not only strengthen the hands of Great Britain in the life and death struggle in which she is now engaged, but at the same time bring about a great reduction in the cost of living to our Canadian people;

AND WHEREAS the Protective Tariff has fostered combines, trusts, and "gentlemen's agreements" in almost every line of Canadian industrial enterprise, by means of which the people of Canada—both urban and rural—have been shamefully exploited through the elimination of competition, the ruination of many of our smaller industries and the advancement of prices on practically all manufactured goods to the full extent permitted by the tariff;

AND WHEREAS agriculture—the basic industry upon which the success of all other industries primarily depends—is almost stagnant throughout Canada as shown by the declining rural population in both eastern and western Canada, due largely to the greatly increased cost of agricultural implements and machinery, clothing, boots and shoes, building material and practically everything the farmer has to buy, caused by the Protective Tariff, so that it is becoming impossible for farmers generally to carry on farming operations profitably;

AND WHEREAS the Protective Tariff is the most wasteful and costly method ever designed for raising national revenue, because for every dollar obtained thereby for the public treasury

at least three dollars pass into the pockets of the protected interests, thereby building up a privileged class at the expense of the masses, thus making the rich richer and the poor poorer;

AND WHEREAS the Protective Tariff has been and is a chief corrupting influence in our national life because the protected interests, in order to maintain their unjust privileges, have contributed lavishly to political and campaign funds, thus encouraging both political parties to look to them for support, thereby lowering the standard of public morality;

THEREFORE BE IT RESOLVED that the Canadian Council of Agriculture, representing the organized farmers of Canada, urges that as a means of bringing about these much needed reforms and at the same time reducing the high cost of living, now proving such a burden on the people of Canada, our tariff laws should be amended as follows:

- 1.—By reducing the customs duty on goods imported from Great Britain to one half the rates charged under the general tariff and that further gradual, uniform reductions be made in the remaining tariff on British imports that will ensure complete free trade between Great Britain and Canada in five years.
- 2.—That the Reciprocity Agreement of 1911, which still remains on the United States statute books, be accepted by the parliament of Canada.
- 3.—That all food stuff not included in the Reciprocity Agreement be placed on the free list.
- 4.—That agricultural implements, farm machinery, vehicles, fertilizer, coal, lumber, cement, illuminating fuel and lubricating oils be placed on the free list.
- 5.—That the customs tariff on all the necessities of life be materially reduced.
- 6.—That all tariff concessions granted to other countries be immediately extended to Great Britain.

### **Taxation For Revenue**

As these tariff reductions will very considerably reduce the national revenue derived from that source, the Canadian Council of Agriculture would recommend that in order to provide the necessary additional revenue for carrying on the government of the country and for the prosecution of the war to a successful conclusion, direct taxation be imposed in the following manner:

- 1.—By a direct tax on unimproved land values, including all natural resources.
- 2.—By a sharply graduated personal income tax.
- 3.—By a heavy graduated inheritance tax on large estates.
- 4.—By a graduated income tax on the profits of corporations.

### **Other Necessary Reforms**

The Canadian Council of Agriculture desires to endorse also the following policies as in the best interests of the people of Canada:

- 1.—The nationalization of all railway, telegraph and express companies.
  - 2.—That no more natural resources be alienated from the Crown but brought into use only under short term leases, in which the interests of the public shall be properly safeguarded, such leases to be granted only by public auction.
  - 3.—Direct legislation, including the initiative and referendum and the right of recall.
  - 4.—Publicity of political campaign fund contributions and expenditures both before and after elections.
  - 5.—The abolition of the patronage system.
  - 6.—Full provincial autonomy in liquor legislation, including manufacture, export and import.
  - 7.—That the extension of the franchise to women in any province shall automatically admit them to the federal franchise.
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## Protective Tariff

The three most imperatively important economic problems in Canada today are the Tariff, Taxes and Transportation. Naturally enough the Canadian Council of Agriculture has laid down as the main plank in its program the revision of the protective tariff in the direction of freer trade; and with an investigation of the main factors involved in this problem we shall begin our discussion.

In the first place it will be necessary to clear away some of the main fallacies underlying the protectionist's position. The protectionist usually confuses two issues—the raising of revenue and the enrichment of the nation through a policy of protection. These two issues must be kept clear-cut and distinct if we are to arrive at right conclusions. The question of securing adequate revenue to meet the people's needs will be discussed later; at present we shall concern ourselves with considering whether the protective tariff really enriches the whole people or a particular class.

It cannot be denied—and is not denied even by the protectionists—that the tariff is essentially a tax. The majority of those, however, who by their votes support a protective tariff are not fully persuaded, and indeed often deny, that the tariff is a more or less disguised form of taxation. It is clear, nevertheless, that to the extent that the tariff furnishes a revenue to the government, it can do so only through levying a tribute upon the whole community. If the rates are so high, on the other hand, that foreign goods are excluded from the country, a tax is still extorted from the people in the shape of higher prices for everything they use. It is evident therefore that whether a protective tariff yields a revenue to the government, or nothing thereto but only higher prices to favored producers, the people pay a tax nevertheless. The question that we must consider therefore is:

### **Can a People Tax Themselves Rich ?**

Most protectionists sidestep this pointed question and immediately begin to discuss the causes making for commercial, industrial and agricultural prosperity. If they are driven out of that position they begin to talk about the great need for increased revenue and the securing of funds to finance the war, or to meet post-bellum conditions. Everyone grants that taxes must be paid by the community as long as social activities and social life endure; but the fiscal problem must be sharply differentiated from that of augmenting the nation's wealth. It is plain as a pike-staff that taxes do not increase but rather diminish the wealth of the community, and by no legerdemain is it possible to wave the wand of taxation and add to the

nation's riches. It is as easy, and as sensible, to attempt to lift yourself by pulling on your boot straps as it is to try to tax yourself into prosperity. So stated the proposition becomes self-evident. Taxes are inevitable, necessary and just, under right conditions and for proper objects; but it is insincere as well as absurd to argue that a tax levied by means of a tariff will at one and the same time yield a revenue and leave the payers thereof better off than before.

In this connection the reader must not lose sight of the pivotal word "protection." In so far as the tariff protects, it is evident that it can do so only by excluding competitors' goods. The "home market" can only be held and kept as a private preserve for Canadian producers so long as foreign wares are excluded from entering the field of competition. The ideal protective tariff, therefore, is one that prevents international trade altogether. But if the goods of the United States, of Europe and the Far East do not enter the Dominion, no revenue can be raised for national purposes, and taxes in that event must be sought elsewhere. The protected interests in this country are too sagacious, however, to appeal to the people at large on this ground. They know full well that the illusion must be maintained, that the tariff at one and the same time yields a revenue to the public treasury and builds up home industries. Therefore such rates are levied as will permit some foreign trade to be maintained, while they give to Canadian producers the great bulk of the home trade at protected prices.

### **Foreign Trade is Essential**

Notwithstanding the fact that almost every civilized country in the world, with the exception of the United Kingdom, has a protective tariff for the encouragement of domestic industry, international trade persists. That it does so furnishes striking and conclusive evidence of its inherent justice and necessity. Notwithstanding all that mankind can do and has done to place obstacles and barriers in the way of commerce and industry, the great stream of international trade flows on in growing volume. Leaving war conditions aside for the moment it is evident to every thoughtful man that there must be some compelling, fundamental cause for the growth of international trade, notwithstanding all that has been done to prevent it. In fact, for the decade preceding the war, our financial journals were filled with articles dealing with neutral markets and the struggle for new commercial outlets in Asia Minor, Africa, Russia, South America and the Far East. Basically the present war is being fought out over a struggle for markets. Germany's demand for a "place in the sun" precipitated the world catastrophe; and her insensate disregard of the rights of all other nations, great or small, in achieving that object, has given rise to the secondary



problems involved. Even the United States, with its succession of high tariffs beginning with 1846, and showing no indication of a reversal of opinion until the passing of the Underwood Tariff Act, has never lost sight of the tremendous importance of foreign trade. Everyone will recall with what exultation the Americans hailed the day when their total foreign trade approximated to that of Germany. No—however much highly protected nations may emphasize the surpassing importance of the home market, they realize also how vitally essential for their well-being is their foreign trade.

### **What Is Wealth ?**

We come, therefore, aside from the United Kingdom, to the curious and absurd situation in which protectionist nations struggle, and even go to war, for foreign markets in which to dispose of their goods, but from which they do not want to buy anything, aside from war materials and essential food supplies. It is an ironic commentary on the status of present day economic thinking that most nations hold officially to the theory that wealth is increased mainly through selling and not through buying. It is a trite but true saying that both parties to a bargain—the buyer as well as the seller—gain in trade. Otherwise no exchange could exist or persist. It was Sir Thomas Munn who, in the seventeenth century, in his most popular book, "England's Treasure from Foreign Trade," exploited the theory that a nation should export goods to the greatest extent possible and take in exchange gold and silver. Strange to say the protectionist of today still talks much of "keeping our money at home." He overlooks the fact that money is only an instrument of exchange—that in and by itself it is worth little. Its value to the possessor is due to its command over goods in general—food, clothing, shelter and so forth. It seems a waste of space to dwell longer upon this primitive and primary economic principle; but so deep-seated is this conviction among many in the Dominion that money is wealth and that we should sell for money alone, thus at one and the same time enriching ourselves and preserving the home market, that it has been thought worth while to emphasize the utter fallacy involved in the assumption.

As everyone knows ninety per cent. of international as well as national trade is carried on on a credit basis. Goods are exchanged for goods and the balances only are settled in cash. If Canada, or in fact the richest nation in the world, were forced to pay for imports on a cash basis, it would not take long before an impasse would be reached. Fortunately, however, trade persists on a logical basis, notwithstanding prevalent economic fallacies. The Dominion has built its railroads, has opened up its mines and forests and exploited its natural wealth,

on borrowed capital—capital that has come to us, not in the form of gold or silver, but in the shape of steel rails, locomotives, cement, building materials and a thousand and one other varieties of economic goods. Up to the outbreak of war in August, 1914, we had imported "capital" in that form to the extent of about 3,000 million dollars. And was it thought, or expected, that these huge obligations would be ultimately discharged by the exportation of "money"—silver and gold? Certainly not; but by the exportation of the products of our farms, of our factories, our mines and other economic enterprises. It is clear enough to those who look beneath the surface of things that our wonderful prosperity and future growth depend upon the exchange of our own goods for those of foreign countries. But if our protectionists had their way entirely, if the home market were preserved for them and them alone, if we bought nothing abroad but concentrated all our attention upon domestic industry, then our great basic industries would wither and die. One does not have to spend much time in making this clear to the farmers of Canada. They know full well that the greater part of the produce of their labor must be marketed abroad. The prairie provinces depend almost solely upon the markets of Europe for their prosperity. Professional economists have long since thrown into the dust-bin of Time the out-worn theory involved in protection—that nations should sell but not buy; that its home market should be kept intact for home producers; and that the people's money should not be exported abroad. These ideas belong to the days of barbarism.

### **Has Protection Made You Rich ?**

Notwithstanding the fact that even the most highly protected countries have not built their tariff walls so high as to exclude foreign trade altogether, and thus reach the protectionist ideal, it is admitted that this can be done. The protected interests, however, have not had the audacity to go so far. They have levied rates of 100, 200, or even 300 per cent., thereby reducing the volume of foreign trade but not entirely preventing it. Millions of dollars thereby are put into the pockets of private producers in Canada and the United States, and the few are enriched at the expense of the many. It is a fact that cannot be denied that, at the outbreak of the war, the average wage for the head of each family in Canada was somewhat less than \$500 per annum; while in the United States—then the second richest country in the world—7,000,000 families existed on a yearly income of only \$500. Our readers may figure out for themselves what such an income would do in providing food, clothing, shelter, medical attendance, insurance and social enjoyment to the families concerned. The American Republic was not obliged to wait for the great war to observe the phenomenon

of millionaires being made overnight. When Andrew Carnegie sold out his interests to the United States Steel Corporation, a score of millionaires blossomed forth like the night-blooming cereus. Computations have been made showing that the financial destinies of Canada are in the hands of some twenty-three men—our captains of industry, owners and exploiters of mines and other natural resources. Canadians, as well as Americans, have boasted of their millionaires, their steel kings, their oil and coal barons, their promoters and men of high finance. And the protective tariff has done more than any other single agency in bringing about these results—colossal wealth in the hands of the few and misery, privation and unrequited labor for the many. It is high time to ask directly of each and every Canadian: Has the protective tariff made **you** rich?

Granted that the protective tariff has yielded a crop of millionaires, is it just, is it equitable? Should great wealth and poverty exist side by side in a democratic state? Is it the part of a statesman to work for the common good, or for the enrichment of the few? Has the Canadian farmer experienced any benefit from protection? And even if he has in a few isolated instances—as among the fruit growers of British Columbia—should he seize avidly upon this sop thrown to him by the protected interests, in order that he may stultify himself on the main issue? These are questions that come home not only to the Canadian farmer but to every clear-headed and truly democratic citizen today—questions that can no longer be glossed over or ignored. Up to the present, at least, the Canadian agricultural class, which furnishes five out of every nine souls in the population, have received absolutely no special benefits with respect to price fixation for their products. On the other hand a small minority of producers in the Dominion are enabled by law to take toll from the entire people by means of artificially created and abnormal prices. The protectionist and other vested interests reap where they have not sown and gather where they have not strawed.

In the days of Queen Elizabeth prices were minutely regulated, wages of labor determined and monopolies granted to favorites by an autocratic government. Only after a hard struggle did England destroy the outer bulwarks of this pernicious system by the abolition of the Corn Laws in 1846. Thereafter the United Kingdom was practically on a free trade basis. The battle was won against heavy odds only after a grim and determined fight by public-spirited citizens who educated, by means of pamphlets and public addresses, the mass of the people concerning the issues involved. The United Kingdom has astonished the world, during the present war, by her great financial strength—financial strength that has enabled her not only to finance herself but to come to the support of the British

dominions and of France, Italy, Russia and the smaller allies as well. And yet the Dominion persists in clinging to and putting into practice an economic fallacy that makes for class distinctions, gross injustices and the protection of the interests of a favored few. For the heart of protectionism is found in artificially created price fixation. Either protection raises prices to the consumer or it does not. If it does not, neither the protectionist nor any other class would make a fight for its preservation. If it does, then the protective tariff raises the price of the necessities, comforts and conveniences of life to the people at large, by law. And we submit that no truly democratic State can, with any approach to even the semblance of equity and of fair dealing, enact laws to protect a class already well-to-do and relatively much richer than others in the community, at the expense of the mass of the people.

### **The Burden on Labor**

Protectionists, however, justify their position by asserting that labor gains equally with protected capital. Our readers have heard much of the "pauper labor" argument, whereby it is said that Canadian industries and Canadian capital must be protected against the competition of the pauper labor of Europe. Granting this proposition for the moment, it may be pointed out that protectionists are equally adept at using this so-called argument in its reverse form—that Canadian producers cannot compete with the highly-skilled, highly-paid labor of the American Republic, and with its huge capitalistic combinations. They cannot have it both ways, however. If cheap labor is the deciding factor in international trade, then there is no justification for a protective tariff as against the United States, for labor in the Republic receives the highest reward in the world. The truth is that the argument has no validity whatever. The only way by which labor can be protected is by giving it possession of the entire range of domestic economic activity; and this the manufacturers do not intend to do if they know it. Canadian vested interests have done more than any other class in bringing "pauper" labor to this country, where it comes into full competition with the Canadian workman. Thus, Canadian workers are penalized by the tariff on what they have to buy, and receive absolutely no protection on what they have to sell. And, finally, it may be said that pauper labor is always inefficient labor; and if Canadian producers cannot compete with it, they had better vacate the field in behalf of their abler rivals. But no one knows better than they themselves the utter fallacy of the position assumed.

The protective tariff is often justified on the ground that it "makes work." It does make work assuredly, but not in a true,

economic sense. It requires the employment of an army of official servants to inspect, appraise and trace the origin of goods at many ports of entry and elsewhere. But this can hardly be called productive labor. The whole argument of "making work" hinges upon the outworn "lump-of-labor" theory—that there is only so much work in the world to be done, and that as much as possible must be secured and protected for home industry. Of course this is a sheer fallacy, a fallacy that has been exposed these several decades past by professional economists. If men and women worked night and day, even with the assistance of the marvellous industrial equipment of our age, it would be impossible to accomplish all that is necessary to meet the world's needs. If we were to agree that there is only a certain modicum of work available, to be apportioned among the various peoples of the world, we should thereby confess that man's mental, spiritual and physical nature can be absolutely satisfied within a point of time, and that mankind had reached a static stage—that there is no further room for development. But the entire industrial history of the nations refutes this contention. Within the last generation alone new and imperative needs among men have been created—needs that must be satisfied by economic effort, by the production of goods of want-satisfying power. Consider the music industry alone, the development of the player-piano, of the talking machine and the other instruments manufactured to satisfy a fundamental human need. This industry has given rise to the employment of tens of thousands of workers, and the end is not yet. And so with the automobile, the airplane, wireless telegraphy and a host of other economic goods that have been produced to satisfy a more or less intense demand. It is plain as day that, as civilization develops, human needs will multiply in bewildering variety and that huge industries will be built up for their satisfaction. It is obvious, then, that there is no validity whatever in the assumption that the protective tariff conserves work for the worker, increases employment, or raises his wages. That the protected interests could pay more than they do is one thing; but that higher wages naturally follow the enactment of a high tariff law is a sheer fallacy.

Let it be assumed that Canadian workmen, nevertheless, do actually benefit because of the protective tariff. What follows? Surely that Canadian labor is pauper labor that must be supported by taxes levied upon the community at large. No self-respecting artisan in this country could tolerate such a condition of affairs, but would be forced to demand why, in a country so richly endowed with natural resources, it was necessary to subsidize labor by a tax on the whole people. We know, however, that the excess prices wrung from consumers

do not go to increase wages, but merely increase the cost of living. And that is a telling indictment against the protective tariff as far as labor is concerned—it does not make life more tolerable but merely accentuates the struggle for existence. Regarded from this point of view, and not merely as an academic question, the tariff is seen fundamentally to deal with the most sacred and supreme of human problems, the life problem, because it places a crushing burden upon all who toil. The people bend their backs that millionaires may be made. The tariff was never known to make a millionaire of an artisan, of a miner, a fisherman or a farmer. The truth is that the protective tariff never yet has, and never can, raise a race from poverty to prosperity. It rests upon hatred, prejudice, partisanship and greed. It does not connote prosperity but spells plunder every time.

Canadian protectionists are prone to justify the tariff in Canada by emphasizing the undoubted fact that Canadians and Americans receive the highest wages in the world. But in 1776 Adam Smith pointed out in "The Wealth of Nations" that the American colonists enjoyed exceptionally high wages because of the superabundance of land and other natural resources; and that, because of these gifts of Nature, children, contrary to the European view, were an asset rather than a liability. And from that day to this wages have been higher in the Republic than in any country in Europe—not because of the tariff but in spite of it. And the same may be said of wages for Canadian labor. As long as Canada had available immense areas of fertile land to be had for the asking, ordinary wages in industry and commerce were regulated by what a man could earn by employing himself upon the land. The land in itself created a demand for labor and raised the general level of wages. If economic prosperity, however, can be guaranteed by a protective tariff how comes it that the United States and Canada, under the highest tariffs in the world, have been periodically plunged into industrial depression? The truth is that "good times" can no more be attributed to the tariff than to sun spots, or the Dodo. It may even be said that, owing to the uncertainty ensuing at election times in both the United States and Canada, an uncertainty due to the fact that no one is sure of just what will happen to the tariff schedule, business has been again and again depressed. No such conditions have obtained, or could obtain, in free trade England.

### **A Scientific Tariff Impossible**

We are told, however, by protectionists that the tariff, with all its admitted faults, is the most valuable of economic instruments if only it is made "scientific." The tariff, nevertheless, can never be constructed on a scientific basis, for the simple

reason that it is essentially unscientific. During the election of 1911 the country was informed that a tariff board would be constituted, such as now obtains in the United States, through which tariff rates would be adjusted to meet the differences in cost of production at home and abroad and insure to the manufacturer a reasonable profit. Thus it was thought to inject "science" into the solution of the tariff problem. Needless to say it cannot be done. It cannot be done because trade is natural; and the only reason for, and justification of, the protective tariff is to prevent trade—to preserve the home market for Canadian producers. It may be said, therefore, that far from being scientific, or subject to the principles of natural law the tariff represents rather favoritism, class prejudice and superstition. A man with a sufficient sense of justice would not become a member of a tariff board if the object of the organization was to ensure justice to the whole people. He could not do so because the tariff cannot be administered impartially—it must discriminate between class and class, community and community, else it would not be possible to levy a tariff at all. For the tariff, in a word, means, fundamentally, preferential treatment—preference to certain classes of producers at the expense of others, as well as of the whole body of consumers.

In Canada and the United States protectionists have justified the tariff mainly on the ground that it gives protection to "infant industries." This argument has never been abandoned although the United States is the greatest manufacturing nation in the world, and although Canadian industries have long since passed the purely experimental stage. The "infant industry" argument, in one or other of its many Protean forms, is advanced today by Wall Street in the Republic and by the big interests in Canada. It is principally on this ground that the formation of a tariff board is so strenuously advocated—although, in all conscience, our "infant industries" have long since become veritable young giants, with a strangle-hold on the life of the community. It is simply impossible, therefore, to take the tariff "out of politics." The tariff is a system of taxation, the most extensive system of taxation that the world has ever known. It is quite foreign to the political genius of the Anglo-Saxon people to permit taxation without representation; and therefore it is quite safe to say that the tariff will never be taken out of politics so long as the system lasts. The assumption underlying this cool proposal is that the protective tariff is just, and that it has been accepted in principle by the Canadian people. It is, however, the principle itself that is at stake; and until the underlying principle of the Protective Tariff is justified it must always remain a subject for discussion and legislation.

Protectionists contend, as has been said, that the tariff does not raise prices to the consumer in the long run, whatever may

be its effects at the outset. We may be pardoned for wondering, then, why there is so much controversy concerning tariff rates whenever tariff schedules are revised. If the tariff does not raise prices, the level of the rates imposed must necessarily be a matter of indifference, provided the principle in itself is accepted. It is abundantly evident, however, to everyone who gives thought to the question, that the tariff is nothing more or less than a tax on the products of foreign countries brought into the Dominion, and that these taxes must be paid by someone. The most courageous and the fairest-minded among protectionists admit that the argument, in this particular, is outworn, and that it has served its day. Taxes inevitably raise the cost of living and the cost of production, no matter by whom they are paid. When local taxes begin to approximate to 30 mills on the dollar, most ratepayers begin to question the expediency, if not the fairness, of the rate. And yet the tariff tax is seldom less than 25 per cent. ad valorem, and often a specific duty is added as well. Let it be noted carefully, in this connection, how this works out. The importer or manufacturer pays the duty, to be sure, in the first instance, and the tax is thereupon added to the price of the finished product. But the manufacturer is not satisfied with the ordinary profit on the cost of production—he adds to the selling price not only his profit of, let us say, 25 per cent., but a percentage of what he has paid by way of duty as well. He justifies himself in this practice by asserting that he must obtain a profit on the whole capital advanced. The consumer is thereby mulcted in two ways—by being forced to pay the high prices due to a protected market and by having to pay the duty advanced by the producer and a profit on the duty as well. If the government, instead of employing a host of civil servants at ports of entry, stationed its officers before each store and place of business to collect toll on every purchase made, the Protective Tariff would not last overnight. And yet that is precisely what it amounts to in the end. The only place where the consumer comes in is to pay the increased prices and vote for the support of the system.

The Protective Tariff, then, protects the home producer from the necessity of having to compete with foreign competitors. It operates always by increasing the prices of goods on which it is levied. As already pointed out, if it did not do so it would never have been so strenuously defended. This does not mean, however, that the tariff is the sole cause of the high cost of living in the Dominion. But it is certainly the determining factor. Leaving war conditions aside for the moment, high food prices can be explained by the fact that population has outstripped available land areas, and that an artificial concentration of population in huge overgrown cities has left fewer



farmers to work the land. The tariff has played the main role in bringing about the latter condition. Aside from that, the exhaustion of natural resources in many countries, the creation of trusts and combines and the enormous increase in the world's output of gold, have all made their efforts felt in increasing the cost of living. It is not fair, therefore, to charge the farmers of Canada with attributing high prices to the tariff alone. They know full well that other forces have been at work, but are quite convinced nevertheless that our high tariff has been the chief factor bringing about the present price situation.

It has been maintained recently that every producer has a right to his profit—that without profit industry would soon come to a standstill. It is said that it is through the pull or driving force of profit, and of profit alone, that the world is ransacked for your breakfast; that profits bring your chinaware from Staffordshire, your pepper from Sumatra, your coffee from Java or Brazil, your breakfast food from Peterborough and your salt from Windsor. All this is undoubtedly true, but offers no argument in behalf of protection. A producer has a right to all he can make in the open market, in the field of free competition, and to that alone. He has much less right to a guaranteed profit, through a tariff, than a farmer to a guaranteed price for the wheat he produces under the most adverse conditions for sale in the open markets of the world. He has much less right to a guaranteed profit than the artisan has to a guarantee against the disabilities of sickness, unemployment and old age; and in these particulars the Dominion government has as yet done less than nothing to protect the average citizen, although the common people comprise by far the greater part of the population of the country.

Many Canadians have hitherto accepted the Protective Tariff because of the appeal made to their patriotism. They proudly announce that they are ready to be taxed if the best interests of the nation so require. But those who understand the great evil of a high tariff are also quite ready to be taxed to meet the necessities of the State—they merely object to the form in which taxes, under protection, are levied and collected. In view of the fact that five persons out of every nine in the population live in the country, and in view of the further fact that they make up the larger part of the taxpayers of the community, they may be pardoned for being somewhat indignant at the aspersion cast upon their loyalty and patriotism. They refuse to admit that subservience to the protected interests is precisely the same thing as love of country. Moreover, when it is recalled that since 1911 more than 2,000,000 acres of land have been withdrawn from cultivation in Canada, all thoughtful investigators of Canada's economic life must be forced to admit that there is something radically wrong with the agricultural

industry of this country. The truth is that the farmer cannot flourish when his interests are discriminated against in behalf of the coal barons, pork barons, oil magnates and the other great possessors of wealth. He seeks to approach the problem involved in a fair spirit, but it is well-nigh impossible for him to escape a feeling of bitterness when not only his economic status but his patriotism alike are assailed. How great a burden the farmers of this country are compelled to carry is not generally realized.

### What the Tariff Costs

As already explained, under a system of protection the consumer is compelled to pay a tax upon all imported goods that come under the tariff schedule. Upon all goods of domestic origin, produced under a protective system, the consumer must likewise pay a tax—although in this case the revenue finds its way to the bank account of private individuals alone. Now it has been estimated that the domestic trade of Canada alone is at least four times as great as the country's foreign trade, and in the United States seven times as great. It follows that for every dollar collected by way of customs dues, at least four dollars are paid to private individuals. When one considers that the customs revenue for the year ending March 31, 1916, was \$133,000,000 and that four times that sum was paid in addition to the protected interests, it will be seen what a crushing weight is laid upon the country's consumers. And in view of the fact that current figures show the customs revenue to be increasing by leaps and bounds, the amount paid to private individuals must necessarily increase at an accelerating ratio. Just how the Protective Tariff affects the farming community will be seen by studying the duties laid upon goods used from the time that a farmer builds a house upon his homestead until it is furnished.

### Rate of Tariff Taxation—Building Materials

Lumber .....	32½ per cent.
Nails .....	67½ per 100 lbs.
Window Glass .....	42½ per cent.
Sash and Doors .....	32½ per cent.
Wire Doors and Windows .....	37½ per cent.
Locks, Hinges, etc. ....	42½ per cent.
Lime .....	25 per cent.
Brick .....	30 per cent.
Paints .....	37½ per cent.

### Household Goods

Stoves .....	32½ per cent.
Pots and Pans .....	42½ per cent.
Tea Kettles .....	42½ per cent.
Brooms and Brushes .....	27½ per cent.
Bacon .....	2c. per pound
Barrel of Flour .....	60c

## Household Goods—Continued

Yeast and Baking Powder .....	6c. per pound
Oatmeal .....	75c. per 100 lbs.
Canned Goods .....	4½c. per pound
Barrel of Apples .....	90c.
Coffee .....	5c. per pound
Ten .....	Free
Rice .....	75c. per 100 lbs.
Biscuits .....	42½ per cent.
Salt .....	7½c. per 100 lbs.
Starch .....	1½c. per pound
Ginger .....	3c. per pound
Canned Meats .....	27½ per cent.
Fresh Meat .....	3c. per pound
Fresh Tomatoes .....	30 per cent.
Common Soap .....	1c. per pound

## Home Furnishings

Dresser .....	37½ per cent.
Chairs .....	37½ per cent.
Looking Glass .....	27½ per cent.
Bed .....	37½ per cent.
Counterpanes .....	42½ per cent.
Blankets .....	42½ per cent.
Pillow Cases .....	42½ per cent.
Sheets .....	42½ per cent.
Combs and Brushes .....	42½ per cent.
Mattress .....	37½ per cent.
Lamps .....	40 per cent.
Hairpins .....	40 per cent.
Jewellery .....	42½ per cent.
Diamonds .....	Free

## Clothing

Flannels .....	42½ per cent.
Boots and Shoes .....	37½ per cent.
Underclothes .....	42½ per cent.
Mitts .....	42½ per cent.
Hats and Caps .....	42½ per cent.
Cotton .....	32½ per cent.
India Rubber Boots .....	32 per cent.
India Rubber Clothing .....	42½ per cent.

But this is not all. In preparing to plant his crop the farmer must equip himself with, and pay taxes upon, the implements used in his work:

## Taxes on Farm Implements

Plow .....	27½ per cent.
Harrow .....	27½ per cent.
Seed Drill .....	27½ per cent.
Spreader .....	27½ per cent.
Binder .....	12½ per cent.
Mower .....	12½ per cent.
Horse Rake .....	20 per cent.
Traction Engine .....	27½ per cent.
Threshing Machine .....	27½ per cent.
Hay Loader .....	32 per cent.
Potato Digger .....	32 per cent.

**Taxes on Farm Implements—Continued**

Grain Crusher .....	32	per cent.
Fanning Mill .....	32	per cent.
Axe .....	30	per cent.
Hoe, Rake, Pronged Fork .....	30	per cent.
Lawn Mower .....	30	per cent.
Wagon .....	32½	per cent.
Buggy .....	42½	per cent.
Harness .....	37½	per cent.
Barbed Wire .....	Free	
Cream Separator .....	Free	

**Plunder on Boots and Shoes**

Let us consider somewhat more specifically just what the Protective Tariff costs the people of Canada, and how it affects wages. The Census Bureau gives the following data on the Canadian boot and shoe industry for the census year 1910:

Value of home-made products.....	\$33,967,248
Number of employees .....	17,227
Salaries and wages paid.....	7,698,333

The average wage per annum for each employee was \$446 or about \$1.50 per day—not an exceptional wage by any means, and certainly not one that can justify the contention that a high tariff raises the wages of labor.

During the year ending March 31, 1911, Canada imported \$2,045,835 worth of boots and shoes, the duty upon which was \$585,996.71. In that year the Dominion imported six times the value of boots and shoes from the United States that it did from Britain and paid duty thereon amounting to \$522,809.70, equal to 30 per cent. The value of the domestic product for that year is given as \$33,967,248, of which \$60,935 was exported. Now, if our contention is sound, that the manufacturers add the full amount of their protection to the selling price of the commodity when disposed of in the home market, the people of Canada paid for that year, by way of taxes, the following sums:

Customs duties .....	\$ 585,996.71
To the manufacturers.....	10,177,893.90
	<hr/>
	\$10,763,890.61
Wages and salaries paid.....	7,698,333.00
	<hr/>
	\$ 3,065,557.61

That is to say the Canadian people paid by way of taxes, directly and indirectly, more than \$3,000,000 in excess of the total wages and salaries received by employees in the boot and shoe industry during the same period. If we were to consider the interests of the country and of the wage-earning classes alone, it would have paid the people to have scrapped every

boot and shoe factory in the land, handed over to the workers their full wages, and to have paid a direct subsidy to the government of more than \$3,000,000. And the nation would have gained enormously thereby, especially if the artisan had been put at some truly productive work.

### **Making Cotton Barons**

On turning to the cotton industry we find that it has assumed great proportions in this country; but as a revenue producer it is a failure. According to the figures furnished by the Census Bureau for the year 1910, raw materials were imported duty free for this industry to the extent of \$11,738,801. The value of domestic manufacturers was \$24,584,931, of which \$299,082 was exported. In the same year importations of manufactured cottons amounted to \$21,177,258, on which \$4,774,320 was paid in duties—an average of 22½ per cent.

The cotton industry employed in the same year 13,041 operatives, paying to them in wages and salaries \$4,828,527—an average of \$370 per annum, or \$1.18 per day. If it be assumed that the manufacturers charge the consumer the same prices as the importers paid, plus the duty, the people of Canada handed over to the cotton manufacturers \$5,464,316—a total tax in all, including tariff duties, of \$10,238,636. Thus for every dollar paid in wages by the manufacturers the people of Canada paid in taxes \$1.25. Canadians, therefore, were forced to pay through the nose for this “infant industry.”

### **The Ford Automobile**

An illuminating example of how protection raises the price of domestic manufactured products is found in the automobile industry. On August 1, 1916, advertisements appeared simultaneously in American and Canadian newspapers announcing the prices of Ford cars for the ensuing year. Although the Canadian factories are located just across the river from the Detroit plant, in each case there was a very considerable difference in the price of Ford automobiles here and in the United States. This is seen from a glance at the following figures:

#### **New Ford Prices, August 1, 1916**

Type of Car	F.O.B. Ford, Ont.	F.O.B. Detroit, U.S.A.
Chassis .....	\$450	\$325
Runabout .....	475	345
Touring car .....	495	360
Coupelet .....	695	505
Town car .....	780	595
Sedan .....	890	645

There is a difference of \$135 between the prices of the Canadian and American product on the touring car, the type in

most general use. As the company announced that it expected an output of 60,000 cars from the Canadian plant during the ensuing year, it will be seen that the duty must have made a difference of over \$8,100,000 in the cost of Ford cars alone to Canadian consumers. The public treasury received no benefit and it cost the Canadian people just \$8,100,000 to keep that factory in Canada. It would have been cheaper to pension all the employees. In fact, the automobile industry furnishes striking and irrefutable evidence that, in almost every case, the domestic manufacturer charges the consumer the full amount of the tariff laid upon the imported product.

### **The Canners' Combine**

Recent quotations on canned goods show an increase of approximately 100 per cent. on tomatoes, corn and pumpkin, as compared with a year ago. The canners justify these increases on the ground that the tomato crop is only 25 per cent., corn 50 per cent. and pumpkin 30 per cent. of normal. Naturally, under these conditions, it might be expected that canned goods would advance in price if sole reliance had to be placed upon this year's crop and the current output. But the books of Canadian canners show stock valued at \$2,427,000 carried over from last year, which present conditions should in no wise affect. There is a duty of  $1\frac{1}{2}$  cents per pound on canned products, including weight of cans, nails, boxes, etc., coming into this country. Tomatoes, in the spring of 1917, were being brought into Winnipeg from Baltimore under a customs charge of \$1.00 per case of 24 cans (66-70 lbs.) or about four cents per can. Even under those conditions the imported goods were sold more cheaply than the Canadian product. The Financial Post of Toronto jubilates as follows over the situation:

"Through the operation of Canadian Cannery (the holding company of the different canning interests) the Canadian situation is well in hand as regards price maintenance; and as prices are also high in the United States, and duties and freight must be added, competition from that quarter is not to be seriously feared."

Competition, however, would be feared if the duties on canned products were eliminated. And with the smashing of the tariff wall this huge combine which is mulcting the consumers of this country to pay interest and dividends upon watered stocks would be quickly broken up into its constituent parts, much to the advantage of the whole Dominion.

### **Customs Department Autocracy**

Only last year (1916) The Grain Growers' Grain Company, a company organized to do business by and in behalf of the farmers of the prairie provinces—there being 19,000 stockholders in Manitoba, Saskatchewan and Alberta, all of them actually engaged in agriculture—came into conflict with the customs

department and its appraisers in Winnipeg. This company, as is well known, deals in the following lines of goods, selling direct to farmers' organizations and to individual farmers as well: Coal, flour, lumber, builders' supplies, wire fencing, fence posts, binder twine, harness, incubators, gas and kerosene engines, agricultural implements of all kinds, sewing machines, salt, fruit and general farm equipment. On certain of these commodities the appraiser refused to assess duties at wholesale rates, denying the company the status of jobbers. In addition many commodities were appraised at prices higher than those at which the invoices testified the goods had been bought; and, to cap the climax, dumping duties were placed upon certain goods that were manufactured in the United States for export trade only, and for which therefore no domestic prices were obtainable. The Grain Growers' Grain Company was forced to appeal to the Board of Customs at Ottawa for redress. Space will not permit of our giving details of all the commodities involved, and one example, therefore, must suffice. The price paid by the company for its three-bottom engine gang plow was \$87.00, but the customs appraiser valued it at \$103.79. The duty at the regular tariff rate of  $27\frac{1}{2}$  per cent. ad valorem, including war tax, on \$103.79 amounts to \$28.60 and dumping duty to \$16.79—or a total of \$45.39, equal to 52 per cent. ad valorem on the Company's purchase price, whereas the regular tariff rate was  $27\frac{1}{2}$  per cent. Only after making it quite clear that The Grain Growers' Grain Company would be forced out of this business—a business valued at \$2,000,000—on this account alone, were these grievances remedied. The reader will see therefore that the Canadian consumer in many instances is forced to submit, not only to the rates as shown on the tariff schedule, but to additional arbitrary rates as well.

Just after the federal reciprocity campaign of 1911, it will be recalled that the electors of the province of Saskatchewan gave an emphatic verdict in favor of the reciprocity proposals—a verdict all the more emphatic because the protectionists of Canada imagined that the election of 1911 had settled the issue for a decade at least. The Toronto News commented upon the Saskatchewan election as follows:

"We deny that the voice of Saskatchewan is the voice of Canada. We deny that it is even the voice of the West. The industrial workers of Ontario, however, have as much right to declare their own opinions and adhere to their own convictions as have the grain growers of Saskatchewan. Neither here nor there, however, will intimidation or coercion prevail. This is a free country with equal rights for citizens in older and in newer Canada, and by the decision of the majority all will abide."

#### **Protectionist Organ Vanquished**

The Grain Growers' Guide, of Winnipeg, took up the gage of battle thrown down by The News and replied in behalf of

Western farmers. The Guide went further, placing five specific questions before The News for answer, and promised to reprint in full in its columns anything that The News might have to say upon the subject, provided that that paper would reprint The Guide's reply. The News omitted the whole of The Guide's article, with the exception of the five questions asked, while the latter paper printed everything pertaining to the controversy. The Guide's questions were as follows:

- 1.—State definitely any two considerable industries that would be ruined by gradual tariff reduction resulting in absolute free trade in five years. Give some facts to substantiate your answer, as general statements prove nothing.
- 2.—Do you admit that the Protective Tariff allows the manufacturers to charge higher prices than they could get under free trade?
- 3.—If your contention be true that free trade would prevent the development of manufacturing industries in western Canada, how do you account for the growth of manufacturing in the western States in the face of unrestricted competition from the great industrial organizations of the eastern States?
- 4.—If reciprocity with the United States would lead to annexation, as you claim, would not the same result follow if the Americans voluntarily abolished their own tariff on Canadian goods? If this be so, how do you account for the fact that those Americans whom you claim are anxious to gobble up Canada, have not seized upon such an easy and peaceable method?
- 5.—Where is the ever-growing surplus of western wheat to find a market? Canada cannot consume it and the British market is already taking all it can absorb. Why should we search the world for a market when it lies right at our door? We do not consider "mixed farming" or Imperial preference are practical answers to the question, as Great Britain is not prepared for preference, and the western farmer cannot be driven into "mixed farming" in time to affect the immediate problem.

The News answered in a lengthy article, traversing well-trodden ground. Boiled down, its reply in substance was as follows: The woollen industry and the binder twine industry have been demoralized, the one by low duties and the other by the abolition of the tariff. Instead of replying specifically to the second query, The News contented itself with asserting that the great American combines, under free trade, would first depress prices and then raise them once they controlled the market. It explained that manufacturing had developed in the western states owing to the high freight rates, which operate virtually as a Protective Tariff. The News contended that it mattered nothing what Americans themselves did with their tariff, but that the reduction or the abolition of the Canadian customs tariff would gradually lead to this country's absorption by the Republic. In reply to the fifth query it explained that Canada, under present conditions, was furnishing only a small part of the wheat supply of the United Kingdom, and that under a preferential tariff this country, together with India, could supply all Great Britain's needs.



The reply of The Grain Growers' Guide gave The News the coup de grace, and, incidentally, put an end to the controversy. The Guide proved that where the woollen industry was efficiently organized—as in the case of Stanfield's and Penman's—it had met with success, and that the greater number of small industries that had gone out of business had not been efficiently conducted. As for the decline in sheep-raising in the Dominion, it was foolish to carry on a business at a loss, especially when the farmers of the Dominion had abundant scope for their efforts in other directions. The binder twine industry had lost ground, it was true, but there were still factories in existence operating at a profit, while the farmers of the country had saved hundreds of thousands of dollars by getting their twine at reduced prices. That in turn gave them greater buying power and provided a larger market for Canadian-manufactured products. The Guide further quoted Sir George Foster—the high apostle of protectionism—to the effect that if a Protective Tariff did not raise prices it was worthless, that that was specifically the justification for its existence. The Guide contended that the manufacturers of the western states in the American Union were subjected to intense competition from the East, within a free trade territory, and that these industries had developed naturally and inevitably. If higher freight rates alone accounted for the growth of western American manufacturers, then like conditions should have established factories in the Canadian west, where freight rates were equally high. Notwithstanding the fact that more than half of Canada's foreign trade is carried on with the United States, the feeling of loyalty to the motherland had never been so strong. And, finally, Canada could not hope to monopolize, or come anywhere near monopolizing, the British wheat markets since the United Kingdom trades with all countries of the world; from some of which—notably Russia, Roumania, Argentina and Australia—she can receive hardly anything else save grain and raw materials in exchange for her manufactured products. Limits of space, however, will not permit of our dealing with this controversy between a free trade organ and one published in behalf of the protected interests further. Suffice to say The News was out-generalled and out-gunned.

### **The Combine Evil**

The Protective Tariff has ruined commerce and industry in many small country towns. It has placed country merchants at a serious disadvantage in competing with their huge rivals in the cities, since the small merchant has not the available capital necessary to advance tariff taxes before these are collected from the consumer. Moreover, the tariff has fostered trusts and combines, concentrating industries at certain strategic points, and eliminating the factory in the smaller centres. How far the

merger movement has gone in Canada is not generally realized. Fred. W. Field, editor of the *Monetary Times* of Toronto, has presented some illuminating data on this point, as follows:

"The number of industrial mergers negotiated in the Dominion from January, 1909, to January, 1913, was 56. The aggregate authorized capitalization (including bonds) of these mergers was \$456,938,266. The 56 amalgamations absorbed 248 individual companies. The aggregate capitalization of 206 of these individual companies was approximately \$167,289,182, which amount in various ways was increased upon amalgamation. The 40 securities issued to the public, resulting from the amalgamation movement, totalled \$57,346,666. With 16 of these, amounting to \$16,500,000, an aggregate bonus of \$6,750,000 was given. The largest consolidation was the Canada Cement Company, which absorbed 12 companies. Its authorized capitalization, including bonds, amounted to \$38,000,000.

Amalgamation operations have not been confined to one or a few classes of commodities. Companies handling soap, cereals, asbestos, bread, flour, milk, cars, leather, lumber, cement, dried fish, carriages, bolts and nuts, steel, coal, ice, felts, shoes, furs, crockery, paint and jewellery, have all seen apparent or real gain in a combination of interests. Arrangements have also been made between navigation, light and power, brewery, canning, retail box and numerous other companies. These instances are sufficient to exemplify the widespread nature of what is a new feature in Canadian commerce and finance."

Truly the tariff is "the mother of trusts" and when it is abolished the trusts, with their high prices, unfair competition with the small producer and unfair practices, are bound to be broken up. Free trade England is free also of the trust which flourishes in every protected country in the world. According to the program of the Canadian Council of Agriculture, printed elsewhere, it is proposed to reduce the customs duty upon goods imported from Great Britain into Canada to one-half the rates charged under the general tariff, and to make further gradual, uniform reductions in the remaining tariff upon British imports so that within five years complete free trade between Great Britain and Canada will be assured.

In contradistinction to this liberal and just program, the high protectionists of this country propose the establishment of Imperial Preferential Trade, under which—although no clear-cut scheme has ever been offered for consideration—the people of the United Kingdom will consent to tax food products secured from foreign sources while admitting Canadian agricultural products into their markets duty free, or at reduced rates. English protectionists expect, in return, that Canada will increase the preference already granted on Canadian products. In the past the British preference has been largely a delusion and a snare, for while the protectionists of this country shout their loyalty from the house-tops, they have taken good care that the British preference does not menace their entrenched position in the domestic market. As part of the whole grandiose scheme it is proposed that Canada join with the United Kingdom

and its allies in carrying on a trade war after the present military struggle shall have been terminated, against the Central European powers.

### **Trade War Iniquitous**

To all thoughtful Canadians the scheme for "war after the war," approved at the Paris conference, is abhorrent. Trade is not warfare for which retaliatory weapons are required. It is a benefit to obtain goods as well as to sell them, and in the long run the one cannot be done without the other. Moreover trade wars have in the past inevitably led to military struggles, and would as inevitably do so in the future. If we penalize Germany's trade after the war it will lead to retaliation and raise up insuperable barriers for the carrying on of trade with Central Europe. All students of the question know that England is the greatest trading nation in the world—that her foreign trade is not only the largest but that she has the largest banking business and the greatest merchant marine as well. It is safe to say that free trade England will not reverse her hitherto enlightened tariff policy for the sake of indulging a grudge or exploiting a sentiment. Englishmen know full well that it is not sound fiscal policy to foster or create industries by the imposition of duties only to destroy those industries when the duties are repealed, as they must be in the long run. It is absurd to imagine that we can permanently exclude from the trade of the world 125,000,000 of among the most enlightened peoples of Europe. It is simply not British, and it is not playing the game. The military power of the German aristocratic caste must be smashed beyond peradventure, but it is no part of democracy's aims or ideals to destroy any people.

In concluding this section let us emphasize the fact that the farmers of Canada stand for the carrying into effect of the Reciprocity Agreement of 1911—the whole program and not merely that part which pertains to wheat and flour. They demand that all foodstuffs not included in that agreement be placed on the free list; and that agricultural implements, farm machinery, vehicles, fertilizers, coal, lumber, cement, illuminating oils and lubricating oils be also placed on the free list. They demand further that the customs tariff on all the necessities of life be materially reduced; and that all tariff concessions granted to other countries be immediately extended to Great Britain.

This is an enlightened program, fearless and fair, offered without prejudice to any legitimate industry, and one in which surely all democratic Canadians can whole-heartedly join.

## Taxation of Unimproved Land Values and Natural Resources

When the tariff shall have been reduced to a revenue basis, it will be necessary to supplement the national income from other sources. This we propose to do by levying a direct tax on unimproved land values, including a tax upon all natural resources, as well as by formulating a program for the imposition of a sharply graduated personal income tax. In addition, the Canadian Council of Agriculture strongly advocates the placing of a heavily graduated inheritance tax on large estates, and a graduated income tax on the profits of corporations. Let us consider the tax on unimproved land values and natural resources, first.

A little over seventy years ago the great Sage of Chelsea, Carlyle, asked:

"Why is it that any well-formed horse, with its stupid head and clumsy hoof, can always fetch a good price in the market, while a man, with that marvellous head on his shoulders, and those wonderful hands at the end of his shacklebones, often is not only worth nothing to society, but society can afford to pay him a good round sum if he will only consent to go and drown himself?"

This is a question which has puzzled many of the wise men of the ages and seems even today, to most of us, as insoluble as the riddle of the Sphinx. And yet if we are to have any semblance to a real democracy, it is imperative that an answer be found to this question.

It is not denied of course that the average man has made progress in material well-being during the last hundred years. Had he not done so, it would have been impossible for the modern state to have survived the indictment sure to have been brought against it. Many radical thinkers have made such an indictment against the great modern democracies as well as against the autocracies of the old world; but although we hold that there is much of truth and justice in these attacks, we look for the attainment of economic freedom, not in the ideal state of a far distant future, nor in a society to rise on the ruins of the present social organization, but within a rejuvenated and reformed society itself. We feel that the tools and equipment for the nobler economic edifice are at hand, if we but have the courage to use them.

Nevertheless, as we have shown above, the condition of the average family in the United States and Canada—two of the freest democracies in the world—is far from satisfactory, from an economic point of view. There are some 7,000,000 families in the Republic living on an annual income of \$500 per year, and the conditions under which Canadian workers labor are not any better. Leaving out of account the increase in wages brought about by the war—an increase more than offset by the high cost of living—it may be shown that even skilled Canadian workmen are living close to the sub-

sistence level, while the laboring class are on the verge of poverty. Those who are sceptical on these points may consult the figures in the official census of Canada concerning manufacturing establishments, the value of the industrial output and the wages paid. An illuminating document bearing on this problem, which is well worth studying, is the printed report of the investigation conducted by a board of inquiry, under the chairmanship of W. L. McKenzie King, into the strike of the Dominion Textile Company's employees. It was there disclosed that the common stock of the concern cost 10 cents on the dollar and paid 50 per cent. by way of dividends. Nevertheless, the company precipitated a strike by reducing wages 10 per cent., although the average wage paid was less than \$2.00 per day. But not only has labor suffered under the intolerable burden of high taxation and low wages, in this land of high protection, but agriculture has offered little or no opportunity for the earning of a decent livelihood. When it is recalled that since 1911 more than 2,000,000 acres of land have been withdrawn from tillage in the Dominion, it will be realized that something is radically wrong with the economic life of this country.

### **Taxation According To Ability**

The great defect in the economic organization of Canada is found in its system of taxation—a system that does not proportion taxation according to ability to pay, but rather according to privilege and the power in politics of the various classes concerned. It is for that reason that the Canadian Council of Agriculture demands that indirect taxation shall, as far as possible, be abolished. It demands, moreover, that direct taxes shall be laid in such a way that those able to bear the burden shall pay in proportion to their ability, and that it shall be known, beyond doubt or peradventure, just from what sources taxes are derived. As a first step, the council advocates that a direct tax be placed upon unimproved land values and natural resources, the latter of which have built up colossal fortunes with no adequate return to the people, both in Canada and the United States. It must not be inferred, however, that this proposal is tantamount to the adoption of the single tax—a solution of social and economic problems that lies beyond the realm of our present discussion and quite outside of our program. It is necessary to lay emphasis upon this point, inasmuch as various western cities have exempted improvements from taxation and have been credited with introducing and applying the single tax. We have not space, nor is it indeed necessary, to discuss all that is involved in the single tax; but it is essential to point out that it is fundamentally a single tax, taking the place of all other forms of taxation. When, therefore, revenues fell off in the cities of Western Canada, in the year or two of depression culminating in the outbreak of war in August, 1914, and critics rushed into the public press with diatribes upon the alleged failure of the single tax, it is quite patent that they were ignorant of the principles and problems involved. The Canadian Council of

Agriculture, as has been remarked, advocates a tax upon unimproved land values and natural resources, not as a complete program of fiscal reform, but only as an integral part thereof.

Such a tax attempts to get at the "unearned increment"—the value that inheres in land, whether urban, suburban or rural, because of the growth of population or the development of industry. In the same way the tax takes for the use of community, because created by the community, the economic value attaching to timber limits, water powers and mines, as well as the unearned increment that arises in connection with the operation of railroads and other public and quasi-public enterprises. With the inauguration of this part of our program, the fiscal and subsistence problems will have been brought well on toward their solution.

### **Assessment Problem Solved**

It should be distinctly understood that a tax upon unimproved land values means precisely what the word implies—that no tax is to be laid upon labor, the products of labor or upon invested capital. The farmer will reap the full fruits of his efforts and will secure the market rate of interest upon his capital. The tax will be laid upon the unimproved value of the land alone, and he will be in no wise penalized upon his improvements or his labor. It was quite common a few years ago to insist that no such tax could be laid, that it was impossible to separate the improvements due to capital and labor from the value inhering in the land alone—a value that arises from the growth of population, the efforts of society to perfect its industrial equipment, or the prices that accrue for land products through a world demand. This argument, however, has been shown, conclusively, to be quite untenable. Separate assessments for land values, aside from improvements, have been made in New York since 1903, and in numerous other American and Canadian cities, including Boston, Cleveland, Milwaukee, Detroit, San Francisco, Edmonton, Winnipeg and Vancouver. Such separate assessments have been made also in New South Wales, New Zealand and other Australasian states, as well as in the United Kingdom and Germany. It is certain, therefore, that there are no insuperable practical obstacles in the way of the successful operation of this tax.

An equitable tax on land values, excluding improvements, would yield beyond any doubt a large revenue to the state. That this is true is clear from a study of the colossal growth of land values in Canadian cities, as well as in rural municipalities, within the past decade. The assessment of land values in Montreal, Toronto and Winnipeg, during these years, shows a staggering increase in the value of city lands—a value, be it remembered, that has accrued, not from any economic activity on the part of owners, but through the work and labor of the whole community. That the unearned increment upon urban lands has reached an enormous total is seen in New York city, which presents, perhaps, the most striking example.

According to the report of the Commissioners of Taxes and Assessments for that city (1908), the assessment of real estate there exceeded in value that of the ordinary real estate of all the states and territories west of the Mississippi, including the assessments of Minnesota and Louisiana. The value of western rural lands has also greatly increased, not only of lands under tillage, but of those vast areas held by the railroads, the Hudson's Bay Company and other corporations, as well as by private individuals, for speculative purposes.

The menace of increasing population, in connection with a fixed supply of land, has been felt by economists and publicists from the time of Ricardo. Food—and land sites in the cities—tend to increasing scarcity, through the pressure of population, and hence to ever-rising prices. It naturally follows that rents for urban and city lands have steadily increased, and the values based upon these rents have necessarily kept pace with them. A smaller per capita equipment of land means an intensified demand for its use; and it is here that the speculators snatch from the toilers profits which they have had no part in creating. Pursuing a dog in the manger policy, they hold their lands out of cultivation until the labor of the surrounding farmers gives them an increased value. Even in the cities the lots held by speculators lie useless. They are not used for park land or for play land; even the small boy is driven from them. Thus it is that the speculators in land values throughout the whole country wax fat by the general hunger and want of the nation. It is readily seen, too, that unless the city lots are driven into use through taxation, sites become artificially scarce and rents rise. There is no doubt as to who ultimately pay these extortionate rents, just as there is no doubt as to who ultimately pay tariff taxes. This has a bearing upon the high cost of living, so vitally important that it must not be overlooked.

### **Railway Land Grants**

The railroads are the largest speculators in lands in the Dominion and have received enormous free grants from both the federal as well as the provincial governments, as the following table shows:—

#### **Land Grants to Canadian Northern**

Location	Received Acres	Sold Acres
Nova Scotia .....	150,000 ..	150,000
Quebec .....	402,860 ..	
Ontario .....	2,000,000 ..	
Manitoba, Saskatchewan and Alberta..	4,002,848 ..	3,159,720
	6,555,708	3,309,720

#### **Land Grants to Canadian Pacific**

	Acres
By Dominion (excluding land repurchased) .....	21,634,198
“ British Columbia .....	6,388,998
	28,023,188
“ Land Sales to June 30, 1916 .....	16,541,056
“ Land still in hand .....	11,482,132

The Canadian Pacific has received by way of proceeds from the sale of lands and townsites, up to June 30, 1916, the sum of \$123,810,124, and yet this corporation on its original grant of 25,000,000 acres has escaped taxation and has still enormous areas held in reserve. Granted that the Canadian Pacific has done much, through irrigation and otherwise, to improve its land holdings in the Canadian west, it still remains true that it reaps its chief profits thereunder through the labor expended by the thousands of pioneers who have risked their all, including even life itself, by trekking onto the raw prairies and opening them up for civilization. It seems only just, therefore, that the vast areas of idle lands held for speculative purposes in Canada, and particularly in the west, should be subjected not only to the ordinary tax, but to a super-tax as well. This would be mere justice in view of the fact that the farmers, through their purchase of various commodities, are already bearing a heavy burden of taxation and are thereby materially helping to finance the war. But not only is the idle land withdrawn from productive use, but it is also contributing little or nothing to meet the ordinary expenses of government, to say nothing of war expenditures.\*

### Steadily Growing In Favor

The Australian states have for many years levied a tax upon idle lands, as has also New Zealand. In fact the government of the latter dominion was compelled to use the land value tax as an instrument for breaking up large estates and to force unproductive lands into cultivation. But we do not need to turn our eyes to the far-off Australasian states to see this principle into practice. Whatever Germany's faults may have been in seizing Kiao Chou and the Shantung Peninsula from China, she at least pursued an enlightened policy there, as far as fiscal expediencies were concerned. Observing that the land-grabbers and speculators were pre-empting large areas for speculative purposes, a tax was laid upon the unearned increment, which quickly drove these lands into use. The German Empire found it worth while to apply this mode of taxation in German cities at home, and before the war 9.5 per cent. of the unearned increment on city lands was appropriated by the government for national purposes. In the famous budget of 1909, Mr. Lloyd George made provision for the appropriation of part of the unearned increment arising from increased land values, for national needs. The truth is that everywhere, among the most enlightened communities as well as in the most enlightened states, the principle of appropriating at least part of the unearned increment for social purposes is making headway.

\* Hon. W. J. Roche stated recently in parliament that there was an enormous area of idle land available for settlement in the three prairie provinces. He asserted that within 15 miles of the railways, there are in Manitoba 3,113,236 acres; in Saskatchewan, 1,407,738; and in Alberta 5,696,312. Within 20 miles of the railways there are available in Manitoba 2,552,736 acres; in Saskatchewan 2,202,416 acres; and in Alberta 6,291,080 acres. Dr. Roche said that this was not all prairie land. Most of it was scrub land, but it was suitable for agricultural purposes.



It has been objected that the land values tax is fiscally unsound, that it contains grave political defects, that it is ethically wrong, and that it is worthless as a scheme of taxation in poor communities and in those countries that are still in the pioneer stage. These objections are levelled, however, for the most part, against the land values tax as a single tax. But the Canadian Council of Agriculture, as explained above, proposes to make the unimproved land value tax but a part of its whole fiscal scheme. Therefore the objection that it is fiscally defective, inasmuch as it can yield little revenue when values collapse, or when a boom bursts, is of no material import. The same may be said for the second objection, namely, that it contains grave political defects since it would abolish the protective tariff as a political and economic expedient. Aside from the question of the land values tax altogether, we look forward to the day when the tariff will be reduced to a revenue basis and when it therefore will cease to be a political question of any significance. To the third objection, that it is ethically wrong, inasmuch as it exempts many persons of large income from taxation, it may be said that the Canadian Council of Agriculture demands that an income tax shall be instituted as an integral part of Canada's fiscal program. And, finally, to the objection that in pioneer communities the land is cheap, and personal wealth the only source of income, we may say that in such case the tax would be so light as to be scarcely felt, and that, moreover, the pioneers will be given an opportunity through a just scheme of taxation, under which those able to pay will bear the burden, to improve their lands and increase their value. Thus the whole argument against the unimproved land values tax breaks down. Of course it is freely admitted that there are other unearned increments, and that in justice these also should be appropriated for the benefit of the state. This problem will be considered later in connection with the taxation of corporations and government ownership of natural resources.

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## The Graduated Personal Income Tax

We have already referred to the fact that the personal income tax imposed for federal purposes is an essential part of our fiscal program. The imposition of this tax is demanded by the council because, perhaps more than any other tax, it measures faculty or ability to pay. The leading investigators of the science of finance have long been convinced that income is a far juster test of ability to bear taxation than the mere possession of property. As already noted, in pioneer communities, the people are really "land poor"—the mere possession of property in this instance does not, and cannot, indicate ability to pay. Modern economists are, therefore, in substantial agreement that taxes should as far as possible be laid upon the source of wealth, income, and not upon production or consumption. It is evident that the tariff in Canada places an intolerable burden both upon producers' goods and upon consumable commodities.

Everyone will recall that, at the outbreak of war, all countries depending upon the tariff for revenue found their finances thrown into a state of chaos. This was true, at the outset, of Canada, the United States, the South American republics and, notably, of Germany. In the last mentioned instance it was impossible, to be sure, to carry on any foreign trade whatever, with the exception of that conducted with contiguous neutral states. Thus, at the precise moment when it was imperatively necessary to provide funds for carrying on the war, the Central Empires found their main source of income cut off at one stroke. It was quite different with free trade England. Never having depended upon the tariff as her enemies had done, as the main source of revenue before the war, the United Kingdom in a marvellously short time set her financial affairs in order. Income taxes, estate duties, the revenue derived from the unearned increment tax, and new imposts laid upon wines, beers, spirits, tobacco, coffee, sugar, tea, with corresponding excise duties, soon yielded a revenue sufficiently great to place the fiscal affairs of Great Britain on a buoyant basis. The income taxes proved a veritable sheet anchor in the storm that overwhelmed the world, and demonstrated by their quick response to the needs of the hour their vital value as an elastic source of revenue. In other words, while many taxes may be suddenly lowered, only a very few, relatively speaking, can be increased to meet emergency conditions. In this respect the income tax is a war tax par excellence.

The English income tax has for many years played the part of a balance wheel on the fiscal machine. It has preserved the equilibrium of the budget and regulated the financial forces of the United Kingdom. Within the last decade particularly, the British income taxes have been efficiently and scientifically administered. The chancellor of the exchequer has taken care to make a sharp differentiation between "earned" and "unearned" incomes, whereby

labor and the products of labor are taxed more lightly than the revenue derived from property investments. This is eminently fair and just, inasmuch as taxation should always be so imposed as to encourage productive effort and the output of economic goods. In addition the English tax provides for "abatements"—that is to say, deductions are made from the smaller incomes, in proportion to the size of the family and so forth, in such a way as to get at the real tax-paying power of the various classes in the community. Moreover, a super-tax is laid upon large incomes, making for the graduation of the tax in a progressive manner. Thus, at both ends of the income tax, care is taken to see that faculty or capacity to bear the burden is given its due weight.

### **British Income Tax**

At the outbreak of war Mr. Lloyd George, then chancellor of the exchequer, doubled the British income tax at one stroke, thus demonstrating its wonderful elasticity and ability to produce revenue at a time of crisis. When Mr. McKenna succeeded Lloyd George in that position, he added 40 per cent. to the income tax and reduced exempted incomes from £160 to £130. In addition, the super-tax on all incomes above £8,000 was increased from 6 to 30 per cent. The result of all this was the taking of 20 per cent. of a person's income up to £5,000, and of 25 per cent. of incomes up to \$10,000, and 34 per cent. of incomes up to £100,000. The new taxes derived from this source were sufficient to pay the interest charges on a colossal war debt and to provide in addition for an adequate sinking fund.

It is interesting to observe, in this connection, that the British income tax yields revenue to the state directly from the source; that is to say, the tax is paid by employers and corporations before incomes, salaries and dividends are disbursed. On the other hand, Prussia has adopted a quite different plan. That state uses the so-called "lump sum" method, taxing all incomes alike, whether derived from earnings or from investments, but taxing the latter at a heavier rate through the imposition of a super-tax on property. Although the methods are different, the results are practically identical, inasmuch as the graduated, progressive form of taxation

\* The income tax of the United Kingdom stated more in detail is as follows: The general exemption was reduced to incomes below £130. Relief of £120 is granted if income does not exceed £400; £100 if between £400 and £500, and £100 if between £500 and £600. An additional relief of £25 is granted for each child, provided the income of the recipient does not exceed £700. The rates are as follows—(1) Earned incomes 11.25 per cent., where the total earned and unearned income does not exceed £500. The rate varies from 12.5 per cent. where the income is between £500 and £1,000, to 21.66 per cent. on incomes between £2,000 and £2,500. The tax is 25 per cent. on earned incomes above £2,500. (2) Unearned incomes pay three shillings in the pound where the total earned and unearned income does not exceed £300—that is the income under these conditions pays 15 per cent. Where the income is between £300 and £500 the tax is 17.5 per cent. and increases until it reaches 25 per cent. on all incomes above £2,000. An additional duty of 10 per cent. is levied in respect to income from securities that are desired by the chancellor for credit purposes. (3) Super-tax. Where the total exceeds £3,000, the super-tax is levied; on the excess over £2,500 the rate is 4.16 per cent. for the first £500 of excess. The super-tax steadily increases until it reaches 17.5 per cent. on incomes of £10,000. Soldiers may claim a reduction of their income tax in respect to their pay.

is followed. North Carolina, Italy, Holland and some of the Australasian states follow the English model.

The federal income tax of the United States is beginning to play an important role in that country's fiscal program, although it has been in use for only a few years. In 1914 this tax yielded \$28,253,534; in 1915, \$41,046,162; and in 1916, \$67,943,591—an increase for the two years of approximately 140 per cent. Notwithstanding the bitter assaults made on the income tax in the republic by men of great wealth, it has yielded exceptionally good results. The law was amended in March, 1917, making its main provisions as follows:

The same minimum of \$3,000 for unmarried persons and a further exemption of \$1,000 for married persons living together was maintained, with the addition that under the new law the head of the family is also entitled to an extra \$1,000 exemption. The tax begins, on this basis, at \$5,000, subject to the exemptions noted. The normal tax on incomes in excess of \$4,000 is now 2 per cent., against 1 per cent.\* under the old law, and where the surtax formerly ranged from 1 to 6 per cent. it now ranges from 1 to 13 per cent. It will thus be seen that the American income tax makes use of the principle of progression, the tax increasing as the income grows. Notwithstanding the fact that the separate states also impose income taxes and that the imposition of the federal tax thus makes for double taxation, most authorities agree that substantial justice to all classes in the community has been done.\*

In view of the fact that the United States has served as a model for Canadian fiscal measures, it would seem that Sir Thomas White has little or no excuse for refusing longer to put the personal income tax, as well as the property income tax, into execution as an integral part of the country's financial policy. Particularly is the plea, that such a tax in Canada would mean double taxation, invalid, in view of the fact that the United States has been compelled to face, and solve, the same problem. As we have shown, the tax is elastic; it is admirably suited to raise revenue in a period of emergency; it adjusts the fiscal burden in proportion to ability to pay; and it is a direct tax whose source and purpose are easily understood. For these reasons we are convinced that the time is opportune for the imposition of a sharply graduated, progressive income tax in Canada, due allowance being made for those of our people who are receiving but a living wage, income or salary.

\* It should be observed that in addition to the personal income tax the United States has a corporation income tax which yielded in the years 1913-1916 the following sums respectively: \$35,006,799, \$43,127,739, and \$56,993,657. The income tax recommended by the House Committee of the United States Congress, recommended the following income taxes. These were accepted by the house with the exception that all incomes over \$10,000 had the rate of taxation increased by 25 per cent. above the rates recommended by the committee.

Income	Per cent.	Income	Per cent.	Income	Per cent.
\$ 7,500 .....	2.72	\$ 40,000 .....	8.45	\$ 200,000 .....	21.00
10,000 .....	3.55	60,000 .....	10.30	250,000 .....	23.87
12,500 .....	4.24	80,000 .....	12.22	300,000 .....	26.40
15,000 .....	4.86	100,000 .....	14.18	500,000 .....	33.93
20,000 .....	5.90	150,000 .....	18.12	1,000,000 .....	40.01

NOTE.—Since the above was written the government has announced through Sir George Foster that federal income taxes will be imposed in this country, but details of the measure are not, at the time of writing, available.

## A Graduated Inheritance Tax

Canada has lagged far behind the progressive nations of the world in its general scheme of taxation, and notably in connection with the imposition of a heavily graduated inheritance tax on large estates. This tax has been in operation for many years in the several Australian states, in New Zealand, in the United Kingdom, in Prussia and, for the last few years, in the United States as well. The Canadian Council of Agriculture holds strongly to the opinion that provision should be made immediately for the instituting of such a tax by the federal government in Canada, for reasons which we shall now consider.

The estates tax raises an essential problem of modern democracy, namely, the relation of inherited wealth to public welfare, and the duties and obligations of those who have amassed fortunes through the protection and opportunities afforded by the state itself. It is hardly necessary to emphasize the fact that Canadian soldiers on the battle line in Flanders and France are laying down their lives for the protection of the lives and property of those at home. A man who gives his life, gives his all, and it cannot be said, therefore, that the bearing of ordinary taxation in Canada restores the balance. Even if it did, a percentage of our soldiers who, during these past three years of war have drawn not even the daily wage of a laborer at home, will return after the struggle to bear their share of taxation also. It is the merest justice, therefore, that great wealth should seek to restore the equilibrium by heavy sacrifices of property for the benefit of the state, under whose protection it was amassed.

Many men of wealth owe their all to franchises granted them by the state, franchises that have given them the power to collect the unearned increment created by the community at large. From this point of view it may be said that there is a sort of co-partnership existing between captains of industry and the government, under which the people at large should share in the wealth thereby created. From this standpoint the state merely takes by legal action, from the estate of the deceased, what it is entitled to in equity.

The cost of service rendered to a great corporation, through government protection of its interests and property, is hardly paid for by ordinary taxation, and, therefore, the state is quite justified in taking a share of this wealth, at the death of its owners, for its own use. Moreover, it is impossible to conceive of a truly democratic state where great wealth and poverty exist side by side. It is in the interests of a real commonwealth to diffuse great fortunes, to break them up, to smooth out class distinctions based on wealth, and to place the whole people on the footing of equal opportunity. But this cannot be done unless the colossal fortunes that are characteristic of the United States and Canada today are broken up through inheritance taxation. It is quite clear, also, that the recipient of an inheritance which suddenly gives him great wealth, receives it not

from his own merit, but simply by accident—the accident of birth or otherwise. In a very real sense, also, an estates tax may be considered justly to take the place of a heavy income tax which should have been paid during the life-time of the possessor of the property, but which was not, else the large fortune would not have been built up within a few years covering the ordinary span of life.

It is because of some, or all, of these reasons that many great modern states have thought it wise to impose a tax on large inheritances. It is a tax, moreover, that lends itself readily to the principle of progression and of ability to pay. The British Budget of 1909 laid the following taxes upon inherited estates—a tax upon the estate as a whole and separate taxes in addition upon the shares going to the various recipients:

£	£	Per cent.
100 to	500	1
500 to	1,000	2
1,000 to	5,000	3
5,000 to	10,000	4
10,000 to	20,000	5
20,000 to	40,000	6
40,000 to	70,000	7
70,000 to	100,000	8
100,000 to	150,000	9
150,000 to	200,000	10
200,000 to	400,000	11
400,000 to	600,000	12
600,000 to	800,000	13
800,000 to	1,000,000	14
1,000,000 and over		15

The estate duties in the United Kingdom have yielded the following sums, during the last four years:

Year	
1913-14	£27,165,122
August 1, 1914 to March 31, 1915	18,170,570
1915-16	30,937,982
1916-17	31,232,000

By the act of March 3, 1917, federal taxes on inherited estates in the United States were imposed as follows: The sum of \$50,000 is exempt in every case. The rates are: 1.5 per cent. on taxable inheritances of \$50,000 or less; 3 per cent. on sums ranging between \$50,000 and \$150,000; 4.5 per cent. on \$150,000-\$250,000; 6 per cent. on \$250,000-\$450,000; 7.5 per cent. on \$450,000-\$1,000,000; 9 per cent. on \$1,000,000-\$2,000,000; 10.5 per cent. on \$2,000,000-\$3,000,000; 12 per cent. on \$3,000,000-\$4,000,000; 13.5 per cent. on \$4,000,000-\$5,000,000; and 15 per cent. on amounts in excess of \$5,000,000.

In view of what has been said, therefore, and the example set by the two greatest world democracies, it is earnestly recommended that a sharply graduated inheritance tax be instituted in our own country. The fact that the provinces already impose such taxes need not interfere with a federal tax on the same source of revenue. But taxes can be levied in equity.

## A Graduated Income Tax on the Profits of Corporations

In view of the enormous burden of ordinary and war taxation laid on the Canadian people, it is imperative that, in addition to the sources of revenue already mentioned, the great reservoir of capital held by the few in this country be tapped. This leads us to consider the value of the excess profits tax as a means of raising revenue.

It is instructive to observe what the United Kingdom has accomplished through taxation in this, as well as in other respects, since the outbreak of hostilities. Although Great Britain has not been able to do as well, relatively, as she did in the Napoleonic wars, when 40 per cent. of her expenditures were met by taxation, she has, nevertheless, succeeded better than any other of the belligerent nations in paying for the war out of current income. The United Kingdom is deriving an income from taxation that exceeds very greatly the tax revenue of any other belligerent country. The revenue from the income tax has more than quadrupled since 1913-1914. The receipts from the income tax in 1916-1917 alone exceed the total tax revenue during the normal year 1913-1914, and, when the income tax is combined with the excess profits duty, the total is greater than the entire income from taxation during the years 1915-1916. In 1913 the total receipts were £198,323,444, and in 1916-1917 (up to March 17, 1917) they were £573,427,582, an increase of £375,104,138. To this increase the income tax contributed £157,792,230 or 42 per cent. of the sum, and the excess profits duty £139,920,000 or 37.3 per cent.—together 79.3 per cent. of the total increase in revenue since 1913-1914. Since the outbreak of hostilities Great Britain spent up to March 31, 1917, £4,255,631,067 and raised by taxation £1,081,953,388. The chancellor of the exchequer expects that the revenue for the fiscal year 1917-1918 will amount to £638,000,000, and the expenditures to £2,290,381,000, including advances of £400,000,000 to the Allies and British Dominions. It should not be overlooked, in this connection, that Great Britain has not only taken care of her own finances up to the present, but has loaned as well \$5,000,000,000 to her Dominions and Allies.

The excess profits duty is levied in the United Kingdom as follows: £200 are exempt, and the standard is the average profits during any two years of the three years preceding 1914. If no pre-war standard is possible, 7 per cent. of the capital employed is taken as the base in the case of individuals, and 6 per cent. in the case of corporations—that is to say these percentages of profits are exempt from any tax, and the excess only is subject to taxation. The tax has recently been raised from 60 to 80 per cent.

Otto Kuhn, of Kuhn, Loeb and Company, New York, estimates that for the year 1917 there will be a war-stimulated profit, in excess of the average profit of the past three years, in the United States, amounting to \$2,000,000,000. The United States, however, is not relying to anything like the same extent that the United Kingdom is, upon the excess profits tax to provide the necessary revenue for carrying on the war. The following is, in brief outline, the scheme of taxation applying to corporations and partnership in the United States:

1.—Excess profits tax. Every corporation or partnership must pay a tax of 8 per cent. on the amount by which its net income from all sources exceeds (a) \$5,000 and (1) 8 per cent. of the capital invested and employed in the business.

2.—Munition manufacturers' tax. A tax of 12.5 per cent. is levied on the net profits derived from the manufacture of gunpowder, cartridges, projectiles, firearms, electric motor boats, etc.

3.—Capital stock tax. A tax is imposed amounting to 50 cents for every \$1,000 of the face value of the capital stock of any enterprise, including the surplus and undivided profits. The sum of \$99,000 is exempt.

Turning to Canada we find that the total revenue for the fiscal year ending March 31, 1917, was \$228,217,270. Of this the tariff contributed \$133,531,155 or 58.33 per cent.; the excise \$24,253,632 or 10.52 per cent.; railways, canals, etc., \$20,031,627 or 8.77 per cent.; and the excess profits tax \$14,552,383 or 6.58 per cent. It will be seen, therefore, from a study of these figures that the tariff and the excise were the main revenue producers in the Dominion during the past fiscal year, and that those industries that have amassed fortunes through the nation's military needs have contributed an exceedingly small part of the total revenue. In other words, the artisans and farmers of this country are bending their backs to the burden of war, while the vested interests and the profiteers escape lightly. The reader will recall by referring to the figures furnished above, in connection with the finances of the United Kingdom, that the reverse is precisely the case in Great Britain—there funded wealth and war profits bear the burden. It is not our purpose to refer at length to the profits made by the William Davies Company last year, since the figure of \$5,000,000 of profits alleged to have been made by this company on bacon alone has been challenged. At the same time these and other revelations have aroused the Canadian people to the seriousness of the situation, and they demand, and demand rightly, that wealth as well as labor shall bear its just proportion of the cost of the present struggle.

The excess profits tax in Canada, on companies having a capitalization of \$50,000 or more, is as follows: Profits of less than 7 per cent. are exempt from taxation entirely. On all profits between 7-15 per cent. the tax is 25 per cent., between 15-20 per cent. the



tax is 50 per cent., and on all profits of 20 per cent. and over the tax is 75 per cent. To make this clear to the reader we may offer the following illustrations:

A company capitalized at \$100,000 makes \$25,000. It will then be taxed as follows:

Rate of Profit	Amount of Profit	Rate of Tax	Amount of Tax
Up to 7 per cent. ..	\$7,000 ..	....	.. ....
8-15 per cent. ..	8,000 ..	25 per cent. ..	\$2,000
16-20 per cent. ..	5,000 ..	50 per cent. ..	2,500
21-25 per cent. ..	5,000 ..	75 per cent. ..	3,750
	<u>\$25,000</u>		<u>\$8,250</u>

The government has recently announced that it is determined to make wealth bear its fair share of the war burden, and in that case it is to be hoped that a larger proportion of the profits due to war conditions will be secured to meet the needs of the nation.

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## The Nationalization of Railways, Telegraph and Express Companies

The Canadian Council of Agriculture is convinced that for the good of the Commonwealth and in the interests of economic freedom and justice, all railways, telegraph and express companies in the country should be taken over by the government and operated by it in behalf of the people. It is not necessary to emphasize the fact that the railway situation, in particular, is full of menace to the permanent prosperity of Canada. That the government itself is fully seized of the importance of this question is evident from the fact that it appointed a special commission to investigate the whole railway problem, and that the report brought down by the commissioners suggests radical changes in the ownership and operation of the private railroads of the Dominion.

The council demands the nationalization of the entire railway system of Canada for many reasons, which will be made clear as the discussion proceeds, but more particularly because of the example set in this regard by many of the most progressive nations in the world. In 1913—the year that furnishes the most recent data on this problem—there were in the whole world some 690,133 miles of railway. Of this, 33 per cent. or 225,712 miles were owned by various governments. Outside of North America there were in the same year 385,000 miles of railway, and of this, 211,147 miles or 55 per cent. were owned by governments, and 174,000 miles or 45 per cent. owned by private corporations.

According to recent information secured from articles published by Mr. E. B. Biggar, 51 out of 65 countries in the world own or operate their railroads. Of important nations in the world Canada and the United States alone have committed themselves, up to the present, to private ownership of railways. Belgium, it is interesting to note, has been the only country that, from the beginning, has owned and operated its entire railway system. On the other hand, government ownership obtains in the most diverse countries and among the most diverse peoples. Turkey and Russia, Switzerland and Austria, Germany and Australia own and operate their own railways. In fact, all the great British Dominions—aside from Canada—and India, as well, operate their railroads through government ownership and control, and out of 17 crown colonies and protectorates in the British Empire, 12 have government ownership of railways. These countries and colonies are among the most highly developed and civilized in the world and have not adopted government ownership through lack of private enterprise. On the contrary, they have been intelligent and resourceful enough to realize that railways, like highways, should be owned, operated and controlled in the interests of the whole people, and not as a source of private gain. They have seen through the sham contention that

competition is all-essential for efficient railway administration and have learned that railroads are, in fact, natural monopolies. And if monopolies, the unearned increment that increases income and piles up wealth with growth of population and industrial development, should be appropriated for the use of the state and not for the enrichment of a particular class in the community.

### **The British System**

The United Kingdom was, up to the outbreak of war, the last great nation in Europe in which private ownership of railways obtained. But many years before, during the Franco-Prussian war of 1870-71, plans had been formulated for the taking over of the entire railway system of the United Kingdom in the event of war. Immediately upon the outbreak of hostilities, the government stepped in and took over the railways of Wales, Scotland and England, and a little later those of Ireland. According to Mr. W. M. Acworth, a British expert on railway transportation, government control has met with striking success, and it is scarcely conceivable that the nation will permit private corporations to enter upon possession of the railroads at the conclusion of the war. The plan under which the traffic of England is being conducted has these essentials:

- 1.—Operation of all the railroads as a single system is vested in a committee of railway officials.
- 2.—The government makes no payment for the transportation of supplies or troops.
- 3.—Munitions and soldiers have the right of way over all other traffic.
- 4.—All other business is charged for at regular, uniform rates.
- 5.—The government guarantees to make a settlement at the end of the war by which each road will receive for the period of the war a yearly revenue equal to the earnings of 1913.
- 6.—The government takes over all surplus revenue of the roads and finances current expenses.

It is important to note that politics has played no part whatever in the management of the railways since the government assumed control. The chief argument, therefore, against government ownership of railways in the United Kingdom, so insistently presented by corporate interests before the war, has been found to have no validity whatever. Railroad men and not politicians run the roads, and run them with the utmost efficiency. All the carriers are operated under one system managed by an executive committee constituted of the general managers of the various railways. In truth, no other nation in the world has even approximated to the efficiency and wonderful organization which the British government has shown in taking care of the traffic requirements of the United Kingdom.

Mr. Acworth describes the financial working out of the English railway scheme as follows:

“All government traffic, whether passenger or freight is carried for nothing and no accounts are kept. A warrant from the proper military authority ordering a certain movement is the only document required. This obviates an immense amount of bookkeeping for the government and for the railroad.

"As between themselves each company keeps the whole of its receipts from ordinary business, whether the traffic be paid for at the point of origin or at the point of destination. . . . The result of this is that the actual receipts of some companies are very greatly increased as compared with normal, while the receipts of other companies may be correspondingly diminished. . . . Each company keeps a running account with the executive committee. If it is accumulating money beyond what it needs for working expenses and the guaranteed net revenue, the committee will instruct it to pay over whatever sum they require to any other railroad whose receipts are falling short of what is necessary for these purposes."

Mr. Acworth—and be it remembered that he is one of the ablest of Britain's traffic experts—estimates that under this plan the government at one and the same time eliminates all transportation costs to itself, while it secures operation of the roads at the point of highest efficiency. What a contrast to the methods followed in Canada! And yet we are told that government ownership or control of transportation is always costly to the people, always wasteful and always inefficient!

### Intercolonial Not a Failure

Turning directly to the railway situation in Canada, we find that one of the chief, if not the most telling, arguments of the opponents of government ownership to be the alleged failure of the Intercolonial as a public enterprise. It is steeped in corruption, inefficiently managed, debauched by politics, looted of its necessary revenue for the benefit of the people of the Maritime Provinces—if its ill-wishers and detractors are to be believed. And yet Mr. J. L. Payne, of the department of railways and canals, and one time an employee of this road, tells us in a recent article in the "Railway Age," Chicago, that he knows by experience that the road is less subject to political interference than is frequently charged; that the usual charges that it is used for corrupt purposes, at election times, are practically without foundation; and that, all statements to the contrary notwithstanding, it is efficiently managed and operated. True, very low rates both for freight and passenger service have been charged the people of the eastern provinces; but that policy is part of the inherent understanding arrived at between the several provinces at the time of Confederation. This policy was inaugurated partly as an offset against that obtaining in Upper Canada, where no attempt has been made to charge the people anything approximating to even the interest on the huge sum of \$100,000,000—the cost of the canals there. In fact, the government operates the canals today practically free of charge, and yet their cost is borne by the whole of Canada. For that, and other reasons as well, the people of the Maritime Provinces consider that they are entitled to low traffic rates.

Mr. Payne deals with this problem in an illuminating manner in reply to an attack made by Mr. S. O. Dunn, editor of "The Railway Age Gazette," on the finances of the Intercolonial. Mr. Dunn

demonstrated that the Intercolonial has never earned interest upon its capital cost and sometimes not even operating expenses, and contrasted the Intercolonial's earnings with those of the Canadian Pacific. Mr. Payne replies to the effect that if the Canadian Pacific had charged the same low rates as the Intercolonial, it would long since have passed into the hands of a receiver. He makes an exhaustive analysis, further, of the passenger and freight receipts of the two roads for the year 1913, the last normal year before the outbreak of war, and finds that the passenger-mile rate of the Canadian Pacific was 22.6 per cent. and the ton-mile 37.5 per cent. higher than the corresponding rates of the Intercolonial. If these rates had been transposed and the Intercolonial had had the advantage, the Canadian Pacific would have earned \$24,051,716 less, and the Intercolonial \$3,010,784 more during 1913. That low rates have been the cause of the Intercolonial's difficulties is made abundantly clear by the fact that, with slight increase in rates only, the railway earned a surplus of \$2,000,000 in the fiscal year 1915-1916 and about \$1,500,000 for 1916-1917. And finally it may be said that the revenue test is a poor one to decide the question of the validity and justice of government ownership, in view of the fact that a considerable percentage of the privately owned roads of the United States are in the hands of the receiver.

### **Corruption and Private Ownership**

As for corruption and political interference, the public life of Canada has been debauched by privately owned railroads. Surely the memory of the people is not so short that they cannot recall the interference of Canadian railroads in the reciprocity campaign of 1911. It was mainly through their influence that that measure was defeated. Their lobbying at Ottawa, both past and present, smells to heaven. Their periodic raids on the public treasury constitute a standing menace to the well-being of the nation. In land grants, in cash subsidies and in guarantees they have received more than half the entire cost of all the railroads in this country, and yet their insatiable appetite is not appeased. It ill behooves them, therefore, to speak lightly of graft, corruption, inefficiency and political interference.

In view of the fact that the Canadian Northern and the Grand Trunk Pacific are in financial difficulties, and in view of the further fact that they will require substantial aid from the Dominion treasury to prevent their going into liquidation, the problem of nationalizing not only these roads, but the entire railway system of Canada, becomes of immediate and pressing importance. Mr. E. B. Biggar, whose illuminating articles on the Canadian railway situation have been already referred to, has set forth succinctly the relation of the railways to the state somewhat as follows:

- 1.—The railways of a country are its main highways and therefore should not pass out of the control of the people.

- 2.—There is no source of revenue for a railway other than the rates imposed for carrying persons and goods.
- 3.—This revenue is raised, not from any hidden fountain of wealth within the railway itself, but from the proceeds derived from the economic activities of the entire people.
- 4.—By the division of labor in the modern State everyone who earns and spends money contributes to the cost of railway service, and this cost enters into practically every article used by the people.
- 5.—The maintenance of a nation's means of communication is a function of sovereignty, which should not be permitted to be exercised by private individuals for their own benefit.
- 6.—Since all the people contribute to the cost of railway service, railway rates become essentially a national tax. And in all highly developed countries, railway rates make up the largest element in taxation. It is of fundamental importance that the people should retain control of the machinery through which they are subject to taxation.

Recurrent deficits in the operation of the Canadian Northern and the Grand Trunk Pacific have brought about an intolerable condition of affairs, inasmuch as the people at large are taxed to make these good. It is freely admitted that it is impossible to permit these roads to go into the hands of the receiver, because of the staggering blow that would be dealt thereby to Canadian credit. On the other hand, if the nation must make these deficits good, it should in justice have control of the roads. This has been recognized in a left-handed manner by the Canadian Northern which has made the Canadian government a junior partner in the enterprise, by handing over to it 40 per cent. of the outstanding common stock. Nevertheless, Mackenzie and Mann took good care that the control of the road should not slip through their hands. The government has the satisfaction of making deficits good, in return for the right to play a minor role in the enterprise. On the other hand, the situation is almost as equally unsatisfactory in the case of the Canadian Pacific, the most powerful as well as the most successful railroad in the world. Canadians are supposed to jubilate when its huge annual earnings are made known, and surplus earnings are carried over to reserve. The fact is, that few persons sufficiently realize that excess earnings are merely a super-tax wrung from the necessities of the nation. There is no more reason why a railroad should build up a surplus over cost of capital, depreciation, upkeep, repairs and betterments than that the government, by excessive taxes, should accumulate a fund of capital to make a conspicuous display of the country's wealth and prosperity. It should never be lost sight of that railway rates are in reality taxes—taxes paid for particular services rendered, but taxes nevertheless.

### **What the People have Paid**

It is said of course by opponents of government ownership that the railways of the United States and Canada have the lowest freight rates in the world, although it is admitted that passenger rates, especially in this country, are high as compared with those obtaining in Europe. But while the ton-mile rate is low compared with ton-

mile rates on railroads in Europe, Australia and New Zealand, it must not be forgotten that the length of haul on this continent is very great and hence traffic rates high. It does not need detailed discussion to demonstrate that freight rates weigh heavily upon the Canadian West especially, and that they are an important factor in the high cost of production in agriculture and in other pursuits. When it is realized, also, to what an extent the Canadian people have assisted privately owned railroads, the wonder is, not that the ton-mile comparison is relatively favorable, but that the people of Canada are compelled to carry in sum total such a crushing burden of freight and passenger rates. The following table shows the aid given Canadian railways by means of cash subsidies, land grants and guarantees:

	Subsidies	Proceeds of Land Sold	Loans out- standing or Investment	Guarantees outstanding	Total
Canadian Northern .....	\$ 38,874,148	\$ 31,370,809	\$ 25,858,100	\$199,141,140	\$298,253,263
Canadian Pacific .....	101,090,801	123,810,121	.....	.....	228,500,295
Grand Trunk Railway .....	13,003,000	.....	15,142,033	.....	28,145,033
Grand Trunk Pacific .....	720,320	.....	70,311,710	43,432,848	114,170,881
Grand Trunk Pacific, Branch Lines .....	.....	.....	.....	13,400,004	13,400,004
National Transcontinental .....	.....	.....	159,881,197	.....	159,881,197
Intercolonial .....	.....	.....	116,231,201	.....	116,231,201
Prince Edward Island .....	.....	.....	9,196,567	.....	9,196,567
Total .....	\$157,291,320	\$158,180,933	\$306,021,483	\$256,012,092	\$908,151,737

This enormous total amounts to more than one-half of the book value of all Canadian roads and their equipment, although in the book value are included many millions of dollars for stock from which nothing was received by the roads. In addition to the sums mentioned in the table above, it must not be forgotten that both the Canadian Northern and the Canadian Pacific have still millions of acres of land unsold, representing millions of dollars according to their own calculation. If the Canadian people, therefore, are required to furnish additional capital and to assume further bond obligations, they would be well advised to assume the ownership of the railways themselves.

### Report of Royal Commission

In the recent report presented to parliament on the Canadian railway situation, Sir Henry Drayton and Mr. Acworth advised that henceforth there shall be in Canada only two railway systems, the one consisting of the Canadian Pacific under its present management and control, and the other made up of the present government railways, the Grand Trunk System, including the Grand Trunk Pacific, and the Canadian Northern. Mr. A. H. Smith, the other commissioner, reports in favor of continuing the present system of private ownership of railways in Canada, but handing over the western field to the Canadian Northern, and the eastern to the Grand Trunk, leaving the Canadian Pacific alone. It is impossible, in the space available, to go into all details of the scheme outlined by the majority of the commissioners. It must suffice to say that Sir Henry Drayton and Mr. Acworth recommend that a company,

to be known as The Dominion Railway Company, shall be chartered by parliament to take over and manage in behalf of the people of Canada all Canadian railways, with the exception of the Canadian Pacific. This company would be managed by five trustees, to be appointed by the Act of Parliament which incorporated the company. It is recommended that three of them be men of railway experience, that the fourth be a man with large experience in dealing with labor, and that the fifth be selected on the basis of wide financial experience. To give the trustees control of the railways, the commissioners advise that the Intercolonial and National Transcontinental be transferred to them by Act of Parliament, and that the \$40,000,000 of common stock of the Canadian Northern, now vested in the Canadian government, and also the \$60,000,000 still remaining in the hands of private persons, be transferred to them. They advocate also that the whole of the common stock of the Grand Trunk Pacific shall be transferred to the trustees without any payment therefor, except in refunding the cash paid for shares other than those held by the Grand Trunk Railway Company. They recommend further that the whole of the stock of the Grand Trunk Railway, first, second and third preferences and ordinary, shall be handed over to the trustees. The commissioners do not believe that Mackenzie and Mann have any claim, as of right, to compensation for their holdings—the greater part—of the \$60,000,000 of common stock outstanding. They suggest, however, that they may be permitted to hold part of the stock in order that their equity, such as it is, may be protected. They propose that the amounts so retained, and the future dividends thereon, be determined by arbitration. The commissioners are of the opinion that the share capital of the Grand Trunk Railway is intrinsically of small value; but, nevertheless, they recommend that the shareholders be offered an annuity therefor, equivalent to the average dividend payment for the last ten years, but subject to increase after seven years.

Under this plan all the Canadian railways comprised in the scheme would be subject to the supervision of the Dominion Railway Board, just as the Canadian Pacific is, and will be. In addition, it is expected that the roads will be operated, under the company, free from political control. In fact, the commissioners make much of this point, and frankly state that while democratic government is good to meet the general needs of the people, it is untrustworthy as far as railway management, ownership and control are concerned.

With all this the Canadian Council of Agriculture entirely and emphatically disagrees. It believes in government of the people, for the people, and by the people. It proclaims its wholehearted faith in democracy and in democratic principles. It is convinced that the people through their government not only should own the railroads, but control and operate them through its own service. Germany, Australia, New Zealand and South Africa have shown that it can be done, and what these states have accomplished the council is persuaded the people of Canada can do also.



The council believes that the general scheme for taking over the Grand Trunk system and the Canadian Northern is essentially just and equitable. But it believes also that the plan does not go far enough. The council is convinced that to ensure efficiency and success, financial and otherwise, the Canadian Pacific must also be owned by the people. True, some stand aghast at the thought of taking over this giant enterprise and weaken in their resolution when they reflect upon the hundreds of millions of dollars involved. Nevertheless, the council believes that the stock of the Canadian Pacific can be bought on some equitable plan—say at its average price over a period of years—and that the funds necessary for the purpose can be provided by issuing debentures on the credit of the railway and of the Dominion of Canada. As for the huge amount of bonds outstanding, not only on the Canadian Pacific, but on other railways, the people of Canada are already to a great extent committed to a policy under which they are responsible ultimately for their payment. It must not be forgotten that it is necessary only to secure stock control—the bonds need not be purchased. Moreover, these bonds are valuable today only in so far as the people furnish the revenue to protect them, as to principal and interest, through the payment of freight and passenger rates. Under public ownership Canada would be required to do nothing more. As for the subsidiary enterprises of the Canadian Pacific—its lands, hotels, mines and steamships, etc.—these could be taken over and managed by the government or by private corporations, under just terms reached by common agreement.

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## **The Nationalization of Telegraph and Express Companies**

The Canadian Council of Agriculture is persuaded also that all telegraph and express companies in Canada should be nationalized and operated in the interests of the whole people. The prairie provinces already control and operate their main telephone lines, and these have been operated with conspicuous success, especially in Saskatchewan and Alberta. A great national utility such as the telegraph, whose receipts must expand with the growth of the country, should be operated for the benefit of the nation, and not for the profit of private corporations. The United Kingdom and other European states control their telegraph lines, which furnish a large revenue to their respective governments. The telegraph, indeed, is only second in importance to the postal service, and is a public utility whose services should be available to the people at low cost. Under government ownership it would be possible to eliminate waste and duplication and to offer more efficient service to the country at large.

The same holds true, in no less degree, of the express business in Canada. Here again income increases with growth of population, and increases at a rate entirely out of proportion to capital cost. This is evident from a glance at the history and earnings of the Dominion Express Company, a subsidiary of the Canadian Pacific. The original investment in the Dominion Express Company was \$5,800, and an investigation conducted by the late Judge Mabey showed that this corporation had been able to pay to the Canadian Pacific, out of its operations, no less than \$13,409,240 at a period when only \$24,500 in cash had been invested in the Express Company itself.

The Dominion Express Company now owns real estate and equipment valued at \$1,000,000, and has paid out, up to 1916, more than \$3,500,000 in dividends. The Canadian Pacific charged its subsidiary in 1915 \$3,234,715 for express privileges on its lines, which resulted in a net loss to the Dominion Express Company in that year of \$128,606—and this notwithstanding the fact that the gross receipts were \$6,220,542. This enormous business is carried on on an actual cash investment of \$24,500, the large assets having been built up by capitalizing a privilege. The same story might be repeated in the case of the Canadian Express Company and the telegraph monopolies in this country. And here, too, it may be pointed out in passing, is found one reason why the Intercolonial has not flourished as have the privately owned railroads, inasmuch as the express business in Canada is practically in the control of the two companies mentioned above. The Canadian Council of Agriculture believes that these, and all similar monopolies, should be owned and exploited in the interests of the Canadian people, to the end that not only rates and tolls may be reduced, but that the unearned increment may be secured for the reduction of general taxation.

## Control of Natural Resources

The council recommends that no more natural resources be alienated from the Crown, but that these be brought into use only under short term leases, in which the interests of the public shall be properly safeguarded, and that such leases to be granted only by public auction. Unfortunately not only in the past, but in the present as well, natural resources are alienated by private agreement with the various governments, both provincial and federal. Timber limits are being sold in Ontario and elsewhere to private corporations without even observing the forms of public auction, and there is more than a suspicion that party interests have considerable weight in the transaction of this business. Of course we are fully aware of the dishonesty and illegalities practiced at public auctions of natural resources in the past, but nevertheless we are convinced that manipulation and trickery can be eliminated if the government will resolutely adopt and put into practice the right methods. We insist that what is done, in disposing of natural resources, shall be done in the open, and that the interests of the nation shall be adequately safeguarded.

The same may be said of water powers, of coal mines, of mineral lands, of oil lands and the many other natural resources, as well as the huge tracts of the public domain that have been alienated from the crown by the subterfuges of private corporations in the past. Only recently the Ontario Hydro-Electric Commission was compelled to purchase at enormous cost the plant and water rights, at Niagara Falls, of a private corporation—property that in the first instance was alienated from the people for a mere trifle. The council believes that this question is of vital importance to the nation, and insists that, for the future, the natural resources of the people shall be conserved in their own interests. This is of imperative importance in the various matters mentioned above, but especially so in connection with the coal mines of the country. Canada may well learn here a lesson from New Zealand, whose government operates several large coal mines for the benefit of the people. In this way coal prices are regulated by the government output and coal is marketed at a price which yields only a fair profit on the capital invested. As a result coal barons are unknown in the Dominion of New Zealand, and the people secure one of the great necessities of life close to cost. Both in Canada and the United States millionaires have been made through exploiting resources that should have remained under the control of the people by means of leases or otherwise. Had that been done, oil, coal, electric power, lumber and other economic goods would have been produced for the people at reasonable rates, and would have yielded, through the unearned increment, an enormous return to the national revenues as well.

## The Initiative, Referendum and Recall

The council believes that the time is opportune for the introduction into our national life of those practices that will bring government into closer and more intimate relationship with the people. It therefore advocates the adoption of the Initiative, Referendum and Recall as instruments of democracy, to achieve these objects. Although similar legislation has been passed in Oklahoma, Oregon and other western American states, it must not be thought that these expedients have not been tested by time. The reverse is, in truth, the fact. Some of the most enlightened and progressive of the ancient Greek republics used these instruments of democracy, and, as is well known, Switzerland has made successful use of the Referendum for many years. The council believes that the people should, under right conditions and with a sufficient number of votes, have the right to initiate legislation which will be taken up and passed by the government of the day. Only so will it be possible in many instances to make the will of the people prevail. Although the Referendum in a somewhat altered form—the plebiscite—has been used in this country in the past, notably in connection with temperance legislation, it has never been given a fair trial. We believe that the legislatures of Canada would be strengthened, rather than weakened, by their referring certain measures to the people for final approval, before such became law. Of course the council realizes that not all legislation could be so referred, with success, for popular approval—certainly not intricate financial measures which require investigation by experts. But broad measures of fiscal and political import might with the greatest advantage be referred to the people for approval. In this way the legislature and the nation would be kept in intimate and vital relationship with one another. And finally, the council is of the opinion that voters should have, as of right, the power to recall from public office, or from the legislature, men who have proved recreant to their trust, or who have lost public confidence. If such legislation be found, under the present B. N. A. Act, unconstitutional, the council advocates that the act be revised in such a way as to bring these principles within the sphere of practical politics.

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## **Publicity of Campaign Funds**

The program of the Canadian Council of Agriculture contains a plank laying down the policy that all political campaign funds, as well as the names of contributors thereto, and the expenses incurred by candidates for the legislature, shall be made known to the public both before and after elections. It is not necessary to dwell long on this plank in our program, important as it is, since all realize how our politics have been corrupted in the past through the expenditure of vast sums of money at election times. If party campaign funds, both in amount and source, are, for the future, made known, the deathblow will have been dealt to the nefarious influence of big corporations and capitalists who have debauched Canadian public life in the past. The wholesale corruption which characterized the reciprocity campaign of 1911 would thus be rendered an impossibility for the future. It is of almost equal importance that the candidate himself shall be held to strict accountability for his election expenses, and that a minimum shall be imposed upon such expenditures, in order that corruption and undue influence may be prevented. In any event, the council believes that not only the source and the amount of campaign funds should be made known before the day of elections, but that a strict accounting should be made of all expenditures incurred on account of candidates and parties during the course of each and every election.

## **The Abolition of Patronage**

Patronage has cursed the public life of Canada and the United States from the inception of popular government in these countries. Corrupt campaign contributions and the exercise of patronage privileges have, at times, reduced democracy in the municipal, provincial and federal spheres to the lowest level. A great step forward was taken both in Canada and the United States when the several Civil Service Acts were passed, placing certain positions outside of the control of the party henchman. It is through the power of patronage, mainly, that party politics are corrupted. And it is through that same power that the ward "boss" and political "ring" obtain control of the party machine. Patronage and the party machine operate together—the one is indispensable to the other. And both corrupt and debauch the public life of the country and snatch control of the government from the hands of the people. The council strongly advocates, therefore, the abolition of the patronage system and the filling of all public offices on the professional record, or business experience of the candidate, or by means of a competitive examination. That this can be done is evidenced by the fact that the United Kingdom, once as corrupt politically as any state could well be, has practically eliminated patronage by means of competitive examination and the applying of other tests to candidates for public office.

## **Autonomy and Liquor Legislation**

The council believes that full provincial autonomy in liquor legislation; including the manufacture, export and import of alcoholic beverages should be granted by the federal government; or, if that is not possible under the constitution, by an amendment to the B. N. A. Act. At present several provinces have adopted legislation making more or less for prohibition, but in the present confusion of the law it is not quite clear how far provincial legislatures may go in that direction. For example, the government of Saskatchewan has recently lost a test case against the Hudson's Bay Company, under which it was sought to determine whether the province had the right to prevent the exportation of liquors by companies carrying on business under a federal charter, within its boundaries. The council believes that if the people of any province vote for total prohibition they should thereby have the right to prevent the export, import or manufacture of liquor as far as that province is concerned. It is contended, indeed, that, under the Doherty Act, whenever a province makes it a criminal offence to have, or to consume, liquor in one's home, it can prevent the importation of such into the province. But this throws the onus entirely on the provincial legislature. The Canadian Council of Agriculture advocate that, to prevent any misunderstanding or misinterpretation of the law, the B. N. A. Act should be so amended as to give each provincial government the indisputable right to prevent traffic in, or the manufacture of, liquor within the province.

## **Extension of Federal Franchise to Women**

It is not part of our present purpose to discuss the merits of extending the franchise to women, in the abstract that has already been settled, but we strongly hold to the opinion that wherever a province has given women the right to vote, that right should automatically permit them to exercise the federal franchise also. It does so in the United States, whenever a state gives women the right to vote. Recently the United Kingdom has extended the franchise to its women, under certain conditions, for national purposes. The council believes that women as a matter of mere justice should have the vote equally with men and under relatively the same conditions. It believes that women who have been given the provincial franchise should thereby, as of right, exercise the federal franchise as well. The obstacles in the way are slight and may easily be brushed aside if the federal government is earnest and sincere in the matter, especially when it is recalled that the provincial lists are used for federal elections. If women in times of peace have won the right to vote, they have doubly demonstrated their claims to that right since the outbreak of war, and the council believes that all fair-minded citizens will so recognize that right. It therefore demands that, without delay, the federal government extend the franchise to women in those provinces where they already exercise it as a provincial right.

Printed at the Office of The  
Grain Growers' Guide  
Winnipeg

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## **Books for Study**

For those who wish to pursue further the study of questions dealt with in this pamphlet the following books and pamphlets will be found most helpful:

<b>The Tariff, What it is, How it Works and Whom it Benefits—By Lybarger. ....</b>	<b>\$1.60</b>
<b>Sixty Years of Protection in Canada—By Edward Porritt .....</b>	<b>1.25</b>
<b>Protection or Free Trade—By Henry George..</b>	<b>.10</b>
<b>How Britain Won Free Trade—By Stevenson....</b>	<b>.10</b>
<b>A Modern Goliath—A debate .....</b>	<b>.05</b>
<b>History of Canadian Wealth—By Myers .....</b>	<b>1.60</b>
<b>The Taxation of Land Values—By Post .....</b>	<b>.50</b>
<b>The Canadian Railway Problem—By Biggar....</b>	<b>1.35</b>
<b>The Siege of Ottawa .....</b>	<b>.25</b>

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The above books and pamphlets may be secured, postpaid, at prices quoted from the **Book Department**,

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